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BELGIUM

Volksunie's Gabriels on Party's Goals, Strategy
36140025 Brussels DE STANDAARD in Dutch
27 Jun 88 p 3

[Article by Guido Fonteyn: "Gabriels: Self-Government Is the Final Goal. Volksunie in the Government"]

[Text] The VU [Volksunie] is being touched up inside and out. Painters are busy at work putting a fresh coat of paint on party headquarters, and afterwards the facade on the Barrikadenplein will be given a thorough scrubbing. Inside, party chairman Gabriels sits behind his new desk, the picture of satisfaction. The VU has cleared the hurdle of entering the government in good shape. Significantly more new members ("hundreds," says Jaak Gabriels) are joining the VU than have quit because it joined the government, as was the case with the Egmont Pact. In its 18 districts, the VU once again boasts over 60,000 members, a number that VU Chairman Jaak Gabriels compares happily with the 36,000 members of the other party in the government, the PSC.

"Even so, the critical comments about our participating in this government made me reflect," Gabriels says. "It seems to me that too much attention has been paid to the short term. What counts for us is the long term as it's laid down in the government coalition agreement. And that long term means giving priority to job-creation; it means introducing a moratorium for the weaker members of society ('no more victims'), reforming the tax system in a profamily way, a country that's got to learn to live without nuclear energy and definitively abandons all this mania for concrete ('no more dumb highways'), reducing the debt not for technical financial reasons but to avoid burdening our youth, and reforming the state."

An Enormous Step Forward

With regard to reforming the state, Gabriels says that on this point the government coalition agreement did represent "an enormous step forward." "Soon 40 percent of this country's financial resources will be going to the regions and communities. The Coudenberg Group and the VBO [Union of Belgian Enterprises] have grasped the significance of that perfectly. That's why they oppose it."

I argue that the Flemish movement should give up its traditional defensive attitude and go on the offensive with these agreements. If we don't succeed here, the lost sheep will go over to the Coudenberg Group. Playing defensively, that means submitting your complaint to the Council of State. As soon as we've got the keys in our hand on things like wardship, we won't need all that anymore."

More concretely, Gabriels later confirms that agreement has indeed been reached within the majority not to rename Happart mayor of Voeren. Whoever wants to be

mayor there must know Dutch. The agreement, however, is valid only as long as nothing changes. As soon as Happart declares he knows Dutch—as fellow mayor Van Cauwenberghe from Charleroi suggested—it will be up to the minister of the interior in the first instance, and if necessary to the Council of State, to verify the assertion. If the minister of the interior himself (Tobback) does not take action, there is nothing to stop the "carousel" from being set into motion.

"By no means does the Volksunie consider this revision of the Constitution the final stage," Gabriels says. "It's an irreversible step, but not the final stage. There are still other responsibilities that need to be transferred from the national level to the regions and communities."

[Question] What will that final stage consist of for the Volksunie?

[Answer] "Of what the testament of the Iron Soldiers refers to," says Gabriels: "We know no rest: self-government. And that self-government means autonomy for Flanders. A poor beginning was made on that with the 1970 constitutional revision, but it was done over just as badly in 1980. Now we're taking a big step forward on it: 40 percent of the country's resources will be going to the regions and communities."

"In the end, though, we're aiming for confederation where the ties between the constituent parts will be as loose as possible: defense, economic and monetary union, the main lines of foreign policy. However, people haven't realized the significance of the provision in the government coalition agreement granting the regions and communities the right to make treaties."

"People in the Netherlands have noticed that and there's incredible interest in it: the Netherlands were seldom or never interested in the romanticism of the Flemish movement. They think in constitutional terms. Now that Flanders can make treaties, they're increasingly realizing that Flanders and the Netherlands can work together on a state-to-state basis. This is already giving new impetus to associations like the General Dutch Union [ANV]."

Consequently the Volksunie and its chairman have no doubt whatsoever that after this reform of the state there will have to be another step in the direction of confederation. "We're already working hard on that," says Gabriels. "The next objective is social security. There, too, powers will have to be transferred from the national level to the regions and communities. For that matter, the current reform of the state already has mechanisms built into it that make this transfer necessary."

Earning

More specifically, this seems to refer to the paragraphs in the government coalition agreement which not only provide for the transfer of additional personnel—primarily in the area of education, which is going to the

communities—but which also agree that the communities shall be responsible for the pay and social security of those civil servants as well as of those already working for the regions and communities.

A civil servant employed by the Walloon region earns the same as one working for the Flemish community, but that could change. For that matter, Gabriels believes that the Flemish community should start paying its civil servants and teachers better. One indirect result of a difference in pay among the regions and communities would be that social security contributions would no longer be the same, and that social security, too, would have to be split up.

In addition, Gabriels also revealed that the chairmen of the Flemish majority parties are holding talks about no longer having just one department for the entire Flemish administration. "There will be four or five Flemish ministries," Gabriels says.

[Question] Still, the Volksunie has some of its best people at the national level. What are they supposed to be doing there?

[Answer] "With respect to Vice Prime Minister Hugo Schiltz, don't forget that he's responsible for scientific policy as well as the budget," Gabriels says. "We believe that the whole area of scientific policy should be transferred to the communities too. Schiltz is our guarantee that that will happen. The same is true for development cooperation. Andre Geens is there not to preserve the existing system but to prepare for transferring development cooperation to the communities. By the way, during the government negotiations, the PSC was the only party that opposed this transfer. All the Flemish parties were for it as was the PS."

Brussels

With respect to Falconers in the Brussels region, Gabriels admits that there was "a problem": "None of the Flemish parties did enough to offer electable places on their lists to Brussels Flemings from the 19 communities. This was true of the Volksunie as well. If you've only got one man who's suitable, you don't have any choice. That's why we were on the lookout for another candidate for a while. And more generally, I believe that the ties with Brussels should be retained in the Flemish Executive. In concrete terms, that means that it should always have someone from Brussels on it. The parties need to act accordingly and put more Brussels people on their lists in electable places."

Finally, VU Chairman Jaak Gabriels has something to say about what he considers the Volksunie's task for the 1990's. "We can't think just about reforming the state; we've also got to shape that new Flemish autonomy. We've got to work for active tolerance, for clean politics, and for a better approach to problems.

"If we transfer education, we've got to get directly involved in organizing the debate on improving that education. We produce too many narrow specialists. Education should expand cultural horizons, too. The entire Flemish Executive focuses too much on being businesslike. Everything revolves around the question 'What can I buy for that?' and that's leading to a generation that only thinks about Torhout vs. Werchter and never goes to the theater. We can't let ourselves be satisfied with that; we've got to turn Flemish autonomy into something that's more than businesslike."

12593

DENMARK

Foreign Minister on Nuclear Disarmament, ECT Ties, Gorbachev

36130085a Copenhagen BERLINGSKE TIDENDE
in Danish 31 Jul 88 p 2

[Interview with Foreign Minister Uffe Ellemann-Jensen by Terkel Svensson and Michael Kuttner; date and place not given]

[Text] Foreign Minister Uffe Ellemann-Jensen (Liberal Party) is deeply worried because Danes have not yet rid themselves of their "fear of contact." The foreign minister also spoke about the future of Europe, Gorbachev, our concept of the enemy, nuclear weapons, and what frightens him most in the world today.

Danes have a fear of contact with the rest of the world. Instead of seeing developments in the world around us as opportunities and challenges, Danes often see them as a threat, according to Foreign Minister Uffe Ellemann-Jensen.

"That worries me a lot," he said. "For if we, in such a little country as Denmark, want to be one of the world's richest countries, then we must have a realistic view of the demands placed on us by developments throughout the world. We need a change of mentality in Denmark. We must stop our defensive posture toward developments, in which we see everything as problems and threats."

Denmark's fear of contact with the rest of the world, according to the foreign minister, is based on the neutrality and self-imposed isolation that has long characterized Danish politics.

"It practically became an element of the Danish national character up to the postwar period, when we joined NATO in 1949. After that, we have gradually opened up to the world around us. From the perspective of the last few centuries of Danish history, it is a process that we have been involved in only for the past 40 years. This is why we have not yet progressed far enough," Ellemann-Jensen said.

He reminded us that Denmark has practically been tripping over its own feet in international cooperation: "The EC has called us the foot-dragging Danes and in NATO we have been the 'footnote' Danes. But with the referendum on the EC package and the most recent parliamentary elections we have come to grips with these attitudes. Thus, the prerequisites for progress are in place."

While the internal EC market that will take effect in 1992 is held up as a shining example in many parts of Europe, a recently published poll taken by the Gallup Institute shows that, in the words of Uffe Ellemann-Jensen, the Danes are "most skeptical, most negative, and most frightened" by developments within the EC.

"But it is worth more to 5 million Danes to enter the West German market than for 60 million West Germans to enter the Danish market. The internal EC market is an enormous challenge to Denmark," the foreign minister said.

He does not believe that "within a foreseeable number of generations" the integration of Europe will create a United States of Europe similar to the United States of America. The historical and cultural backgrounds differ too much from country to country in Europe for this to happen.

"We will still have a Europe of nation states when my children and grandchildren are old. However, it will be a Europe in which the community that has grown so large that no one will be able to save his own skin at the expense of the others. We will cooperate in more and more areas and create more and more common institutions."

In his office on the seventh floor of the large Foreign Ministry building on Asiatisk Plads in Copenhagen Uffe Ellemann-Jensen has received information daily, for almost the past 6 years, on developments out in the world. In recent years, he has devoted much attention to the new winds blowing in the Soviet Union, brought on by Soviet leader Mikhail Gorbachev's perestroika and glasnost (restructuring and openness).

"I do not doubt that Gorbachev is serious about this," Uffe Ellemann-Jensen said. "So we must take him at his word. We must accept the fact that Gorbachev wants to achieve results and we should examine his many proposals through negotiations."

The foreign minister attributes perestroika and glasnost to the success of the free Western democracies during the past 40 years.

"The Marxist-Leninist system functions poorly," he said. It cannot deliver to its citizens the economic prosperity they are seeking. We have been able to do this by using other methods, which they have now begun to copy."

"But they want to consolidate the political system they have. And a leader such as Gorbachev has seen clearly that, in the long run, he cannot maintain the system if he cannot deliver a better product."

"The challenge to us," according to Ellemann-Jensen, "is that we not simply accept the new trends and make them out to be what we want them to be. Nor should we dismiss everything from an unyielding East-West mentality."

"We must find the right balance. We must demonstrate a reasonable degree of openness and flexibility but, at the same time, we must keep both feet on the ground. And we must realize what our interests are and that there are still fundamental ideological and political differences between the Soviet system and the system under which we want to live."

"If we respond to the challenge in a realistic manner, then I believe that the world can become a more peaceful, safer, and richer place in which to live than it is today," Uffe Ellemann-Jensen said.

Another controversial Soviet leader, Nikita Khrushchev, was deposed back in his time. Do you believe that Gorbachev is sitting firmly in the saddle?

"Our hope must be that Gorbachev holds on and that he will come through with his reforms. The party conference that was just held shows that he has such broad support that we are past the time when we had to ask whether Gorbachev would survive or not. After all, there are many who support him."

There is almost a competition to see who can come up with the most disarmament proposals and, as we know, many results have already been achieved through negotiations. How far can we go with nuclear disarmament?

"We can reach a far lower level of nuclear weapons than the number we have today. But the prerequisite is that we begin negotiations in the area of conventional weapons."

Can you imagine a nuclear-free Europe?

"That would presuppose such a degree of trust that it seems almost utopian. For this reason, I believe that for many, many years to come the security of Europe will depend on having nuclear weapons as part of our defenses."

"At the risk of sounding trite, I would say that nuclear weapons have now been discovered and it is not possible for them to be undiscovered. And nuclear weapons are relatively easy to make, so that if we pretended that they did not exist, then we would be taking a risky course indeed."

"For this reason, the problem is to limit nuclear weapons, control them, and remove the risk already present, since they exist. At the same time, we must have such a realistic relationship toward nuclear weapons that they will help maintain the balance that has been the basis of peace in Europe since World War II."

Is it more difficult, now that our arch-enemy is becoming less repugnant? After all, things are loosening up from within, behind the Iron Curtain.

"Of course, it is difficult for some people, now that there old picture of the enemy is changing. There are many deep-rooted ideas on both sides—in our system, as well. But I have no doubt that we can overcome this if we accept the challenge."

It was during Uffe Ellemann-Jensen's term of office as foreign minister that the American President Reagan called the Soviet Union the "evil empire," while the Russians tried to drive wedges into the Western alliance. When they failed, the Russians left the negotiating table.

"And just look how far we have come today," Ellemann-Jensen said.

Earlier this year a study by the Washington Research Institute found that there were 25 wars, large and small, going on around the world. At the same time, the institute estimated that 17 million people had been killed in wars since World War II. That is almost half the number killed in World War II.

However, if we look at the world situation today, there seems to be some improvement: The Russians are leaving Afghanistan, the Vietnamese are leaving Kampuchea, the Cubans are leaving Angola, the South Africans are leaving Namibia, and there is a possibility of a cease-fire in the war between Iran and Iraq.

"If we take a snapshot of the world today and compare it to a picture taken 6 months ago, then there is no doubt that the picture is far brighter today. But we must ask ourselves where the powder kegs of today are. New regional conflicts can flare up there at any time."

Uffe Ellemann-Jensen sees the population explosion as the most fundamental and most dangerous powder keg in the world today.

"The population explosion and the debt explosion, with the growing gap between rich and poor countries are the greatest challenges of the future," he said. "And we have not yet begun to deal firmly enough with these challenges."

On the window sill in his office, from which there is a view over Holmens Canal, the foreign minister has a watch that was given him by the United Nations organization on population. The watch is programmed to keep a running count of the number of people living in the entire world.

When BERLINGSKE TIDENDE came in for the interview there were over 5 billion people in the world—according to Uffe Ellemann-Jensen's watch there were exactly 5,084,330,152 people. When we left 1.5 hours later some had died, other had been born, but in all there were 15,000 more people living in the world. In other words, the global population had risen by about the number of people living in a provincial Danish village such as Nakskov.

"It is like a ticking time bomb," the foreign minister warned.

09336

Economic Problems Seen Danger to Country's Political Order

36130085b Copenhagen BERLINGSKE TIDENDE
in Danish 16 Aug 88 p 4

[Article by Jon Stephensen]

[Text] Danish politicians risk losing control and squandering Denmark's social and economic prosperity as a result of topical, but trivial, issues created by outside forces. This was predicted by a recent report. "The description is correct," said a leading politician.

A lack of understanding of economic problems by the people and by trade unions and the politicians' striving for popularity will cause Denmark to squander its economic and social prosperity before the year 2000.

This was the conclusion of the Institute for Futurological Research in a recently published report, the "Picture of Denmark." It is a bleak and shocking report on developments in Denmark up to the year 2000.

On the basis of economic predictions and the attitudes and lifestyle of the people, researchers at the institute predict that Denmark will enter an extremely serious crisis during the 1990's. In the end, a rising foreign debt, a higher rate of unemployment, and a wavering political course will force us into a program of adjustment under the International Monetary Fund. Not even the internal EC market can save the Danish economy, according to the report.

There are several reasons for the crisis, but the one mentioned as most important is a political system that is incredibly weak and becoming less and less able to act.

"The politicians at Christiansborg must make a serious effort to pull themselves together if they want to retain some respect and continue to dominate the political arena," said Rolf Jensen, director of the Institute for Futurological Research.

"Even now the decisions of parliament are determined more and more by outside pressures from various popular groups and grassroots movements. In the future, constantly decreasing numbers of party members and a lack of political involvement by the people will force the successful politician to gain support through topical issues on the TV news. Ideology and long-term economic planning will be shoved aside, since they simply get in the way of the 'politically correct positions.' In the future, the media coverage of leading politicians will change the relative strength of their parties significantly from election to election and destroy the system's ability to act and legislate responsibly," Rolf Jensen said.

The Conservative chairman Kent Kirk agrees with Rolf Jensen's picture of the future.

"His description is correct. There are too many media-crazed blow-hards at Christiansborg who destroy any chance of cooperation by their confrontations in the press. But I perceive a change in attitude. As an example, the government and the Social Democrats have agreed to discuss behind closed doors the possibility of a bridge over the Great Belt. Such an important issue must not end up as political ammunition," Kent Kirk said.

09336

FINLAND

Rivalry Among SDP Leadership Increasing

Sorsa Seen as Paasio Rival

36170103b Helsinki UUSI SUOMI in Finnish
7 Aug 88 p 5

[Commentary by Jaakko Okker]

[Text] The Social Democrats have hardly treated their chairmen as dispensable. Rafael Paasio was elected in 1963, and Kalevi Sorsa as his successor in 1975.

Has Pertti Paasio therefore been an ignominious failure as even the party's own Helsinki newspaper is seething with news of a power struggle?

Those Soc[ial] Dem[ocrat]s close enough to the action to know say that Paasio as chairman has performed exactly as expected.

What is good about Paasio is that he is not as self-assertive and sanctimonious as Kalevi Sorsa, and that he also listens to others. What is less good is that he listens to everybody, with the result that his decisions tend not be particularly well-shaped.

Paasio did not come to the chairmanship as his predecessor's favorite. Sorsa is claimed to have offered the chairman's gavel to Paavo Lipponen.

Lipponen declined. Maybe he thought that Sorsa only wanted to offer consolation to a comrade who had not been reelected to the Diet. Because the party had wanted to secure as big a vote for Sorsa as possible, Lipponen's supporters had been called on to help out, with the result that Lipponen lost votes as well.

Apparently Lipponen held that he would be more suitable for the position of party secretary. However, Sorsa had another candidate for that.

It has come to light that Sorsa also had Jarmo Rantanen in mind for the chairmanship. At the end, the resigning chairman did not lobby conspicuously for anyone, and Paasio was elected.

As far as is known, Sorsa has no particular complaints. Paasio has been just as loyal to Sorsa in the chairmanship position as he was before, as the chairman of the party's parliamentary group.

Leading Soc Dems do not admit to having noted any strong power struggle. Instead, they refer to the present time as an "interregnum."

The fairly unanimous opinion seems to be that as Sorsa is the Minister of Foreign Affairs and Erkki Liikanen heads the Super [Finance] Ministry, Paasio's position outside the government is hopeless.

Paasio apparently believed in the spring that he would be given a government position. It did not work out that way, because Sorsa had spilled the beans. Paasio, typically, squared the matter with a story about little Kalle who wants to help across the street an old lady who doesn't need help.

According to an old maxim, one must never underestimate anyone's capacity for overestimating himself. Finding leaders is no more difficult for Soc Dems than for any other parties; the voters' lack of loyalty, however, is worrisome.

According to a recent survey, the Social Democratic Party lost 111,000 supporters after the parliamentary elections and gained another 66,000. The lost support dispersed itself in oddly equal portions to other parties: 12 000 into the nets of the SKDL, the same number to the Greens, 11,000 to the Center and 10,000 to the Conservative Party.

The underlying factor in this is the two-way division of the SDP supporters. On one hand, we have the actual blue-collar workers and the clerical employees of the

private sector. A paper machine operator in Valkeakoski and a clerk who writes on that paper in an Espoo insurance agency have quite similar thoughts about the party.

Another group are the "university dems," for instance, teachers. They are not threatened by unemployment or privatization, and they have little to fear in terms of bosses complaining about productivity.

The party members of the latter group can afford to hang on to idealism and solidarity with all their might—even at the expense of their comrades.

Is unemployment in Harjavalta more or less important than human rights in Chile? Must the slogans touted in the May Day speeches be carried into governmental policy? Does the solidarity requirement reach all the way to government and state-owned enterprises—or does it stop at demands to ice-hockey players who want to play in South Africa or those who want to travel as tourists to northern Cyprus?

The Social Democratic Party needs ideological debates. However, they will not come easily to comrades who have lived for so long off their ideals that they no longer remember what it is like to live for one's ideals.

Other Papers View Problems

36170103b Helsinki HELSINGIN SANOMAT
in Finnish 13 Aug 88 p 6

[Editorial roundup]

[Text] The Friday [Aug 12] papers analyzed the problems the Social Democrats have had, among other things, over the so-called copper squabble and the Ministry of Labor.

The nonpartisan ILTA-SANOMAT states that the stand publicized by the Social Democratic Party Committee on the Chile project did not improve conditions within the party. In practice, the project was given the party's blessing, and the committee ended up by trying to please everybody.

"The country's government could have of course shown better judgement in handling this matter, but discussion of that fact is not relevant in this context. The guarantee decision was made, and that is all there is to it. For the other government parties, which are not undergoing tumult equal to that among the Social Democrats, would not have bothered to overrule the decision on account of squabbles in one party only, no matter what the SDP stand was."

"The Soc Dems should have washed their dirty linen among themselves, before the Chile squabble."

"It seems that a ministership for the new SDP chairman, Pertti Paasio, in the new government is more and more necessary from the point of view of the functioning of the government. In this matter, it probably would not have made a difference in the government's decision, but it clearly would have eased the situation within the SDP. At any rate, it is obvious that information does not travel effectively inside the party, that personal relations are found wanting, and that the political line is obscured. The SDP is in a crisis."

The SDP party organ, SUOMEN SOSIALIDEMOKRAATTI, regards the La Escondida mine project to be "a touchy, divisive issue among the Social Democrats."

"From the point of view of the SDP, a stand that would be consistent with principles is to press for refusal to do any business with the present Chilean government."

"On the other side of the matter are the hundreds, possibly thousands of jobs in Harjavalta and Pori."

"The decision made by the SDP is a weak compromise, which will please hardly anybody. Neither does it bring an end to discussion of the issue within the party. However, we may well ask what other solution the SDP Party Committee could have made."

"The government deserves no better a grade for the decision on la Escondida than an F-."

The Social Democrats, according to the nonpartisan Iltalehti, are about to win significant victories in the context of the establishment of the new Ministry of Employment.

"As a result of these changes in state administration, the SDP will gain much more importance in the labor market than it did through the labor market reforms, now that the long awaited change of the Ministry of Labor to the Ministry of Employment has entered the governmental process."

"The now-approved transfer is of great proportions: 670 positions from the Ministry of Social Affairs and Health will be transferred to the new department, making it a record transfer. Although only 34 of them will go to the ministry itself, even that is a lot."

"Although this is a welcome reform, it is tainted, however, by its background of party politics: the Ministry of Labor that has until now been the playground of the Center and Communists, will be made Social Democratic in a sweep. The major part of the positions to be moved come to the Ministry of Employment from the Health and Safety Administration."

"Whereas the Soc Dems do take over a new area, from the point of view of the Conservative Party the situation is tragicomic. Sometimes nicknamed the Talent Party, the Conservative Party marched into government

responsibility huffing over how appointments now were going to be based on competency only. Now that the Conservatives will be getting the number two spot in the new ministry, the only person they have to offer is a university student majoring in political science."

13421

Poll of Business Leaders Finds Most Favor Broad Coalition

36170104c Helsinki UUUSI SUOMI in Finnish
29 Jul 88 p 1, 25

[Article by Eeva Palojarvi]

[Text] The Central Federation of Finnish Entrepreneurs (SYKL) has redone an organizational study first completed five years ago. The purpose of the study done by a Tampere University Professor, Olavi Borg, was to clarify the attitudes of the membership toward its parent organization, and to map the relationship between businessmen and society.

The number answering the survey conducted during the spring and summer of 1987 was only 36 percent. According to Borg, the number was not satisfactory, but it is nevertheless within the range reached by surveys in general.

Approval of SAK Increases

A clear change has occurred in attitudes toward other organizations according to the study. As the SYKL's organizational power and opportunities to wield influence have grown, cooperation with the Central League of Small Manufacturers is no longer seen as important as in the year 1982. The blocked relationships to employers and especially to the Commercial Employers Association (LTK) have also improved noticeably.

The Institution of Chambers of Commerce (KKK), the Central Federation of Industry, and the Central Committee of Commerce have clearly lost their luster in the eyes of the SYKL. The KKK, however, is seen more and more as a conduit of general influence in which the membership of the SYKL participates to a greater extent than before.

Of the wage earners' organizations the Central Federation of Finnish Trade Unions (SAK) especially is seen as a better collaborator than before. In 1982 less than a third still said that "It is better to stay completely apart from the workers' organizations." Now the membership of SYKL sees the SAK as more of a reality, and cooperation with it as both prudent and necessary.

SYKL Also for Collective Bargaining

More voices are heard from within the SYKL on behalf of its efforts to become a partner alongside the Finnish Employers Association (STK) and LTK in collective

bargaining. 59 percent of the respondents considered this an important objective, whereas the line received only 40 percent support in 1982.

Nearly three fourths consider the central task of SYKL to be the translation of the views of the PK section into legislation and official decisions. Every second person considers it important that SYKL would assist in its membership's financial solutions and keep entrepreneurship alive in the media.

SYKL also received a clear vote of confidence from its own membership. Half of the respondents place SYKL in the number one position as the defender of pk entrepreneurs, whereas only 42 percent did so in 1982.

Government Passes by Parliament

Entrepreneurs see more and more outside sources influencing the conditions of their activities. The position of the national government has clearly strengthened in the eyes of the entrepreneurs and is already briskly bypassing the Parliament.

Also the role of financial institutions in undergirding enterprises has increased during the past five years. A truly great change, however, has been the rise of the public media as a social influence to fourth place in the minds of the entrepreneurs past, among others, the union movement, municipalities and employers.

The position of political parties and agricultural organizations, on the other hand, has either weakened relatively or directly decreased.

Decisionmaking to Enterprises

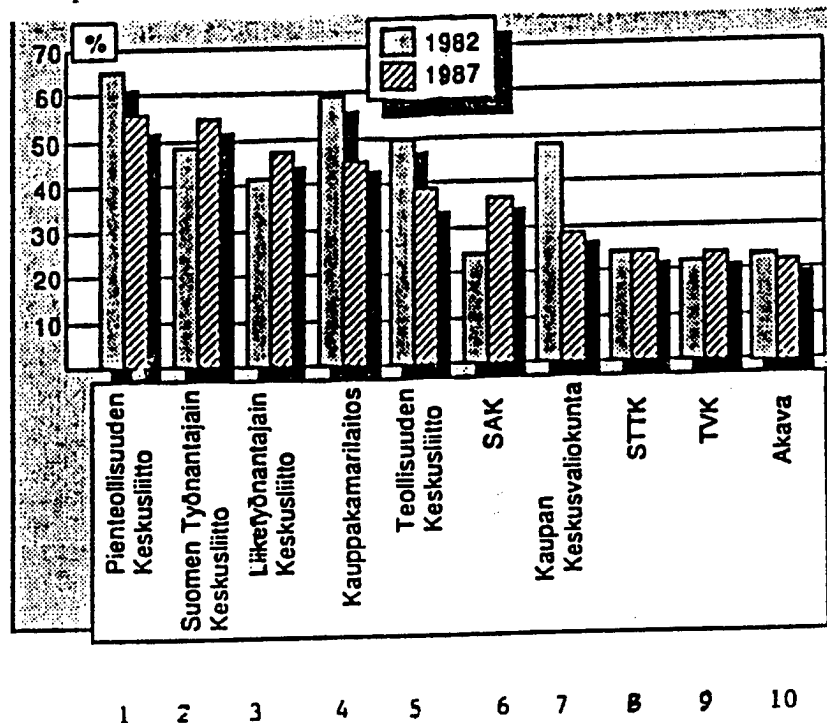
Support for centralized wage agreements is clearly crumbling among entrepreneurs. A third of SYKL members would like to see decisionmaking take place at the entrepreneurial level. Less than a fifth still support the traditional federation or agreement based collective bargaining decisions. Half are in favor of general income policy solutions.

The fear of bureaucracy has clearly disappeared among the entrepreneurs and, according to the respondents, the emphasis of economic policy should be directed, above all, to reducing the taxes on enterprises, increasing competitiveness and control of indirect labor costs.

Funds To Be Separate From Collective Bargaining

Entrepreneurs have a clear position on the areas that should be subject to labor market solutions. Over 60 percent think that economic democracy (including workers' funds), schooling paid for by the employer, plus other free time or fringe benefits should not be mixed with collective bargaining. On the other hand, job security and the development of workplace democracy are clearly more palatable issues.

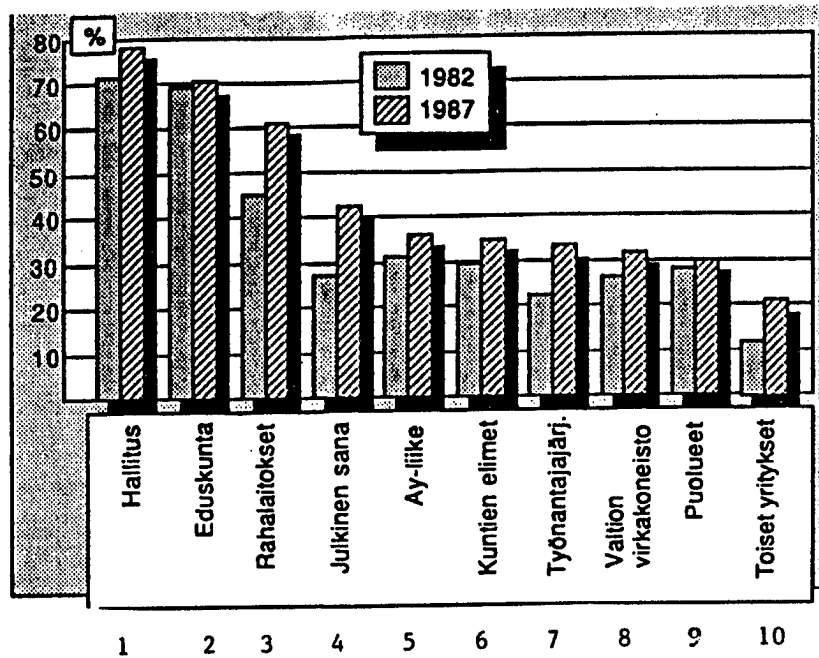
Important Ties Between the SYKL and Other Economic Organizations



Key:

1. Central Federation of Small Industries
2. Central Association of Finnish Employers
3. Central Association of Commercial Employers
4. Chamber of Commerce Institute
5. Central Federation of Industries
6. Central Federation of Finnish Trade Unions
7. Central Committee of Commerce
8. Finnish Central Federation of Technical Functionaries
9. Confederation of Salaried Employees
10. Academic Professional Commission

Business Leaders' Response to the Question: "Who Has the Greatest Influence on Business in Finland?"



Key:

1. Government
2. Parliament
3. Financial Institutions
4. The Media
5. Labor Unions
6. Municipal Authorities
7. Employers' Associations
8. Central Government Civil Servants
9. Political Parties
10. Business

Entrepreneur attitudes toward strikes are considerably cooler. Strikes that would cause society great harm are opposed firmly, especially by Center Party members and unaffiliated entrepreneurs.

Rise in Educational Level

Compared to 1982 the basic educational level and professional training of the entrepreneurs has risen rapidly. Especially in the younger age cohorts entrepreneurs are among the best educated social classes.

12989

Finnish Scholar-Diplomat, SPIEGEL Staffer Hit 'Finlandization' Term

Korhonen: Term Erroneous

36170103a Helsinki SUOMEN KUVALEHTI in
Finnish 29 Jul 88 pp 32, 34

[Article by Timo Anttila]

[Text] The use of the term "Finlandization" to describe Finland's situation is more and more often condemned in speeches and assessments by the foreign press. However, from the country's own point of view, it would be best to dismiss the term completely.

"Finlandization" as a term was rebutted most firmly in recent times by United States president Ronald Reagan during his visit to Finland last May. Both the term and its usage were condemned in the speech Reagan delivered at Finlandia Hall. Since then, it has been declared invalid in the prestigious French newspaper LE MONDE and elsewhere.

Keijo Korhonen, who is currently assigned by the Ministry of Foreign Affairs as a consulting official to the prime minister, has had to battle the term Finlandization frequently and in many contexts. During his long public career, he has held, among other offices, those of minister of foreign affairs, under-secretary of state of the Foreign Ministry's political section, and that of Finland's UN ambassador. In his opinion, Finland suffers a blow every time this word is used.

"The term emerged for reasons that had nothing to do with any desire bash Finland or Finns. Its roots are in the Federal Republic of Germany, where it was used to attack the Eastern policy initiated by Willy Brandt."

"I am not referring to President Reagan's speech, which benefited us Finns, but to the apologies offered. If such apologies are not based on individual judgment and knowledge about Finland, they are no healthier a phenomenon than the use of 'Finlandization' as a deprecatory term."

"In such cases the apology is based on a recognition of how the political winds blow. The indication is that 'Finlandization' is not a suitable term for today's climate."

What has brought on these apologies? Are they based on Finnish politics or on the positive image the Soviet Union has created for itself with reform policies?

"We must naturally take care of our own image only. Finland's shoulders are too narrow to carry responsibility for the Soviet Union's image as well, though many people think otherwise."

"The apologies stem, however, from the latter cause—that is, favorable attitudes towards the Soviet Union in the West. In that respect, the use of the term is as poorly justified as it ever was."

Korhonen has met someone who said that he had used the term for the first time as far back as the Berlin crisis in 1961.

"He is, or rather was, Professor Lowenthal, who taught in the University of Berlin. The term was used to describe a situation that would be caused by the withdrawal of the Western allies from West Berlin."

"After the Berlin crisis eased off, the term was forgotten for some time. It was taken up anew after the mid-1960's. The new Eastern Policy instigated by Willy Brandt, which signified openness and reconciliation with Eastern Europe, prompted Brandt's opponents to start using the term again."

Opponents of the Eastern policy were afraid that West Germany would get on a track that would lead to withdrawal of the American forces. According to the horror pictures painted, what would eventuate instead would be a remote-controlled pseudodemocracy."

"What is important here is that we became a victim of Central European and worldwide political conflicts, just as in the wars. Only this time the weapons were pens, not rifles."

According to Korhonen, the term "Finlandization" was not used to reproach Finland for having become Finlandized. The purpose was to warn others against the fictitious Finlandization phenomenon. Finland was pulled into this because it did not fit the picture many people had of the European situation. It was difficult for some to understand how it was possible for a small country that had been bested in wars to have preserved its independence. Finland was perceived as some sort of a Soviet scheme or decoy.

On the other hand, the expression has been used with a positive connotation, to describe a relationship that should be established between the Soviet Union and its socialist allies. Finlandization in this sense would be a goal for the small socialist countries of Eastern Europe.

Lately, researchers have also started to use the term as a semiscientific one to describe a country that has a special relationship with a neighbouring country.

In Korhonen's opinion, users of the term "Finlandization" commit a double error. The term is wrong in the sense that it brings nothing new to international political terminology. On the other hand, it carries with it a claim that lacks any solid evidence.

"With solid evidence I mean substantive proof that Finland is a remote-controlled satellite state. At the present time, it might be better to use the term 'terminal,' to which directives are keyed in from Moscow."

"There are no proofs for this because Finland is politically independent. If on the other hand someone claims that the Soviet Union has no influence on the Finnish politics, he is speaking nonsense just as well."

Korhonen admits that Finns have partly themselves to blame for this term. "We too have people in political positions who would very much like to Finlandize. That is not anything very new. As a historian I know that they have always existed. Some took the Stockholm road, others the one to St. Petersburg."

For example, why were there during President Urho Kekkonen's time so many of those who took the Moscow road?

"There might have been various kinds of motives, but certainly this group included, without mentioning names, some who calculated that it would guarantee them the direct road to success. President Kekkonen acted according to the constitution in handling the country's foreign policy, but some wanted to be little Kekkonens."

"I find it curious that Finns consider it natural for an individual having to have a relationship with a superpower. From the point of view of the Soviets, it is both amusing and insulting, for it gives the impression that a superpower must maintain a relationship with some minor Finnish politician. Nations have relations with each other, not individuals or political parties."

Finland's Ministry of Foreign Affairs has every so often tried to weed out the term by inviting foreign press representatives to visit Finland. Towards the end of the 1960's, the state of Finland wined and dined a group of German journalists, who had staunch preconceptions of Finlandization.

The German journalists submitted Korhonen, who was present, to a crossfire about Finlandization. "They had the pompous idea that they always have saved Finland. Statements to the contrary were not heard until we started to talk about 'Germanization.'"

"Germanization" means that a country is divided into two parts, and both parts are occupied.

Term Should, Will Disappear

36170103a Helsinki SUOMEN KUVALEHTI in Finnish 29 Jul 88 pp 34-35

[Article by Wulf Kuster, DER SPIEGEL staffer]

[Text] The word is like a burr: it sticks. Once it sticks onto you, it is impossible to pluck it loose. It is a bad word, Finlandization is. A foreigner, especially a German, has to face this horrifying concept again and again. You cannot run away from it: it follows the visitor across national borders.

The morning flight from Helsinki to Hamburg: travelers keeping straight faces, looking as if they haven't quite woken up, leafing half-heartedly through yesterday's international papers. Some, regardless of the early hour, opt for champagne instead of black coffee. Too bad to have to bid farewell to summery, sunshiny Helsinki.

My wife, for whom this has been the first visit to Finland, is gleaning p from the English language version of the HELSINKI GUIDE some final bits of information on what she herself has seen and experienced in Finland. The HELSINKI GUIDE is only a harmless travel brochure, apolitical, mostly advertisements. But even in this publication, all of the sudden that ominous word catches the eye. "Finlandisierung," my wife reads out loud, "is not necessarily a word with a bad echo."

It seems like an innocuous enough a sentence: the word "Finlandization" does not necessarily have a bad ring to it. That is how things are. This is accepted as a self-evident truth, which even political numbskulls must take in account—those who normally talk about Finlandization only with contemptuous snorts.

But why does the HELSINKI GUIDE not use the English word "Finlandization," which US readers would recognize as a word of their own language? How come the Finnish writer suddenly tossed into the midst of another language a word yet from another language, German? Interpreting this as mere fortuitous verbal slovenliness might mean lapsing into too simplistic thinking.

I have a hunch that there is a bit of a gibe in this mixture of languages—maybe subconscious, but nevertheless somewhat malicious. I have often sensed that Finns take

offense from the use of this word, and, of course, it has its roots in German. So I reckon it is fair play that the Finns pay back in the same linguistic measure in front of the whole world.

By refusing to admit into one's own phraseology a foreign concept even in translation, one can make a clear point of rejecting the concept. Language is like a shield that repels verbal darts, even making them bounce back towards the attacker.

A military metaphor fits well into this context. Talking about Finlandization is not only wagging one's tongue; sometimes it is also used "as an offensive weapon against us," as a Finnish diplomat once put it in somewhat exaggerated words in Hamburg.

It can be said without exaggeration as well. Max Jacobson, former Finnish ambassador to the United Nations, has written that Finland's reputation is ruined by this one word. Press Councillor Kristofer Grasbeck declaims in a German periodical "the affrontery and impudence shown by the Finlandizers."

"If one is hit time and time again on the head," the then Prime Minister Mauno Koivisto said some years ago, "one will inevitably feel the hurt. But most of all one's feelings will get hurt."

This verbal mallet, which is said to be swung frequently and without mercy, is of course the talk about Finlandization. And those who came up with the concept did not overlook the fact that the mallet can be used to hurt feelings as well. That was the intention. Linguistically, "Finlandization" is polemic at its purest.

Originally, the intention was not at all to bludgeon the Finns. They became the victim as if by accident. Finland was like the proverbial sack that got the blows that were intended for the donkey carrying the sack.

Anyone who wants to analyze the origins and effects of "Finlandization" should initially consider two fundamentally important misconceptions.

First, as far as I understand, many Finns have misunderstood the following fact: Finlandization as an offensive term is part of the homespun language of the Federal Republic of Germany, and was intended purely for domestic use. To put it in other words: sausages made after slaughtering cattle at home are not sent for sale in a supermarket.

Second, many Germans seem to have misunderstood the following fact: a slogan that does not even mean what it says can also hurt and even defame—especially when it is far removed from the reality it purports to describe.

Everything started from an inability to understand that there could exist something that should not exist. Let us

go back and view the political landscape of the Federal Republic of Germany around the year 1970.

The social democratic federal chancellor, Willy Brandt, was energetically carrying on with his Ostpolitik, Eastern policy, which long ago had become rooted in the international vocabulary as well. Efforts had been undertaken to at least ease the division of Germany, as it could not be completely obliterated. Reconciliation with Eastern Europe was pursued, and agreements were sought to guarantee positive relations between neighbors, as peaceful coexistence could not be attained. At that time, it was said that the key to this policy was in Moscow. Fear of contact kept these plans from progressing.

The conservatives in the Federal Republic were against this policy, as they considered it a foregone conclusion that whoever would unsuspectingly approach the Big Bear would at once be swallowed by it.

In those days, many extreme anticommunists found it impossible to comprehend that countries that were opposites in their social and political structures could cultivate their mutual relations naturally and freely—just as President Urho Kekkonen had said in his time.

Reaching out a hand to Moscow constituted in these conservatives' opinion subservency, and negotiation amounted to interrogation. According to the widely spread doctrine of the Federal Republic's Christian Democrats, all inroads to Moscow would inevitably lead to some kind of dependency. On this basis, they warned their countrymen against "Finlandization of Germany." Professing this conviction most vociferously from 1970 on was the old gnome, Franz Joseph Strauss, who has been given the questionable honor of spiritual paternity of the concept of Finlandization.

"The warning" was supposed to be this: Don't attempt to do business with the Kremlin lot, they only will want to juggle for themselves the upper hand, and later you won't even notice that you are marching to Moscow's drum.

Did it really constitute a warning? It was not Finland that was meant to be branded so summarily. The seal of disapproval was actually meant for detente and coexistence. Change through mutual accommodation was disapproved of as well as Willy Brandt's concessions in Warsaw.

In other words, one more time: the sack was hit instead of the intended donkey.

In my opinion it is very illustrative that there is no proof that even one of those who cultivated the talk of Finlandization ever bothered to define what Finlandization really meant. Right at the start, the concept was very indefinite and vague in content—however, obviously negative, and thus very suitable to be thrown about as a slogan in debate over domestic policy.

Is Finland then, as LE MONDE in Paris wrote early in the 1970's (note that that talk about Finlandization is not a purely German phenomenon), "in a discreet satellite position" vis a vis the Soviet Union? As a concept, this is precisely what "Finlandization" suggests. Is Finland's neutrality in other words a mutant, is Helsinki's independence a charitable concession dealt out by Moscow? "Finlandization" carries also that connotation—which actually turns the term against itself.

A somewhat deeper analysis and a sense of fairness would have already twenty years ago maybe—actually for sure—revealed that "Finlandization" was not a suitable rhetorical weapon even for German politicians.

But he who does not uproot weeds in time must not wonder why the lawn grows poorly. An old adage has it that those who have been pronounced dead live especially long.

So the slogan already existed and began miraculously to live a life of its own. It nullified itself. To put it more bluntly, he who yells "Catch the thief!" most loudly is often none other but the thief himself.

The phrase had hardly been dropped from the Federal Republic's political debate—in other words, tossed in the garbage bin of history, where it belonged—when it resurfaced in new trappings. It was as if it had started a second life. Then, and only then, was the concept of Finlandization actually applied to Finnish politics, and was now used in a way as its measuring stick.

However, this could not be done without a daring logical somersault. Nobody who talked about Finlandization in the middle of the 1970's investigated its truth value any longer. Rather, "Finlandization" actually evolved into a kind of fundamental concept: and since there existed the concept of Finlandization, it was also taken for granted that the country of Finland was "Finlandized" in this sense—and that was that.

Reality no longer produces new words—the way things work is that artificial terms create for themselves an altered reality.

Many commentators examined Finnish politics through highly idiosyncratic perceptive constructs. German journalists excelled at this in a most shameful manner: the conservative FRANKFURTER ALLGEMEINE ZEITUNG wrote quite curtly that Finland must over and over again placate the supreme power (that is, the Soviet Union), to court its favors. Does it have to? Did it have to?

Another example: Some time back, President Kekkonen visited Moscow after having signed a certain trade agreement. The right-wing Bonn newspaper DIE WELT interpreted this to mean that the head of the state of Finland had only gone "to report to Moscow." Eager readers might also have wanted to know whether the president had to stand at attention while doing this.

One more quotation from FRANKFURTER ALLGEMEINE. According to it, the question of whether Finland was going to form a center-left or right-wing coalition government after the Finnish parliamentary elections of 1979 was not dependent on the base of parliamentary support, but that "the solution will be made between Moscow's will and the wishes of the voters." Had the ballot boxes in fact been in the Soviet Union?

Where then do we look to find positive opinions? The above examples, no matter how nice or profound, are nevertheless, even in the best of circumstances, props for bygone theatrical seasons. Afterwards, even tragedies may seem amusing.

There are positive signs as well. It seems to me that the season is actually over and that the little horror show called "Finlandization" will take its final bow on the stage.

All in all, it has been a rather miserable stage adaptation. How else could we explain for instance the fact that the audience, who turned out to be the actors (the non-Finns), stopped applauding long ago, whereas the actors, who in fact have only been in the audience (the Finns) are still talking about the play?

If I happen to visit Helsinki again—I will be leaving for home by the evening flight as parting is then a lesser sorrow—and my Finnish friends take up again the topic of Finlandization, I would like to tell them to find the little booklet that my wife read aloud to me and see what it says about Finlandization: "The word 'Finlandization' does not necessarily have a bad ring to it."

That is how it must be in the future, too. The Latin phrase says, "De mortis nil nisi bene," one must not speak ill of the dead. Finlandization, the evil as we remember it, is dead. I am sure of that. I just wrote the obituary.

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ICELAND

Poll Measures Party Support According to Sex
36260014a Reykjavik MORGUNBLADID in Icelandic
27 Jul 88 p 32

[Article: "Skais Opinion Poll on Party Support: Citizens Party Gets 0.9 Percent of the Votes, the Independence Party 32.8 Percent, and the Womens List 23.3 Percent"]

[Text] According to an opinion poll conducted by Skais for Stod 2 [television station] during the period of 23-24 July, the Independence Party would receive 32.8 percent of the votes, if the parliamentary elections were to be held now. The Womens List would receive the next highest number of votes, or 23.3 percent. The Womens List would, however, receive the greatest support among women of all the parties, or 35.4 percent. According to the opinion poll, the Citizens Party has become the

smallest of all the parties that have candidates nationwide and it would receive 0.9 percent of the votes. The Men's Party would receive 1.6 percent and the People's Party 1.2 percent.

Stod 2 has signed a contract with Skais to conduct opinion polls. Skais, which conducted opinion polls on a regular basis for HELGARPOSTURINN until it folded, will conduct monthly opinion polls about the support for the political parties, the position of the government and the popularity of individual politicians. Moreover, the news office of Stod 2 will decide on two additional questions on issues that are in the limelight each month.

The first survey according to this contract was conducted Saturday, 23 July and Sunday, 24 July. Of the 700 people contacted by telephone, 656 responded, or 93.7 percent of the people polled.

The first question was which party the respondent would vote for if the parliamentary elections were held now. A total of 66 percent of the people polled took a position; 17.4 percent said they were undecided; 8.2 percent did not intend to vote or intended to return a blank ballot and 8.4 percent did not answer the question.

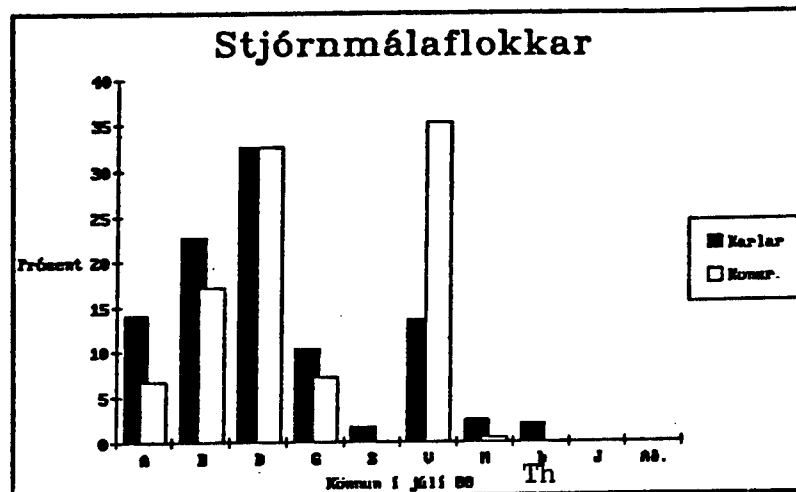
Of those who took a position, 32.8 percent said that they intended to vote for the Independence Party; 23.3 percent the Womens List; 20.3 percent the Progressive Party; 10.9 percent the Social Democratic Party; 9.0

percent the People's Alliance; 1.6 percent the Humanist Party; 1.2 percent the People's Party and 0.9 percent the Citizens Party. None of the people polled intended to vote for the Alliance for Equality Between Parts of the Country [J in the table].

If the position taken by women and men in the survey is studied, it comes to light that the support for the Independence Party is the same among men and women (32.8 percent). The Womens List enjoys considerable more popularity among women (35.4 percent) than men (13.7 percent). The Progressive Party enjoys somewhat greater popularity among men (22.8 percent) than women (17.2 percent). The Social Democratic Party has slightly double the support among men (14.1 percent) than women (6.8 percent) and the People's Alliance also has greater support among men (10.4 percent) than women (7.3 percent).

Considerably greater number of women said that they were undecided. According to the survey, 21.3 percent of the women are undecided and 13.4 percent of the men.

In the survey, people were also asked to name 1-3 politicians they categorically supported as a member of the government. Steingrimur Hermannsson received 254 votes; Halldor Asgrimsson received 122 votes; Thorsteinn Palsson 119 votes; Jon Baldvin Hannibalsson 75 votes; Johanna Sigurdardottir 48 votes; Birgir Isleifur Gunnarsson 41 votes; Jon Sigurdsson 37 votes; Fridrik Sophusson 37 votes; Albert Gudmundsson 33 votes and Olafur Ragnar Grimsson received 24 votes.



In this table is seen the level of support for each party according to the Skais poll. The black columns indicate male voters and the white columns female voters.

A = Social Democratic Party
B = Progressive Party
D = Independence Party
G = People's Alliance
S = Citizens Party

V = Womens List
M = Men's Party
Th = People's Party

Former Party Newspaper Editor on Conflict in People's Alliance

36260014b Reykjavik MORGUNBLADID in Icelandic
3 Aug 88 p 9

[Commentary by 'Staksteinar': "The Fight for the People's Alliance"]

[Text] Some people have predicted that the year 1988 will be remembered as the year when peaceful solutions were found for most of the localized conflicts that have plagued the world in the recent years. There is, however, one dispute that does not seem to be ending—the fight for the People's Alliance. Ossur Skarphedinsson, former editor of THJODVILJINN, attempts to analyze the problem in a THJODVILJINN interview. Ossur quotes Lenin, among others, and predicts conceivable demise of the People's Alliance which is toppling from conducting this war.

The Demise of the People's Alliance

It does not escape anyone that the People's Alliance is currently countering a great problem in maintaining its existence. This problem is to a great extent an internal problem where the leaders neither talk nor work together.

When THJODVILJINN appeared to its readers in a new format before the weekend, it contained an interview with Ossur Skarphedinsson, former editor of the paper, in which he analyzes the position. Ossur has not been very conspicuous of late, and it is of interest to study the thorough analysis he exercises.

Ossur is not gentle about the crisis of the People's Alliance. He airs old ideas about the unity of the leftist powers before the next municipal elections, and he is forced to admit that the People's Alliance is unlikely to serve any great role in such a unity in its current condition. It can even be understood from Ossur's words that the days of the People's Alliance are numbered: "It may very well be that some people may think that the People's Alliance has drawn its last breath. Political parties are not holy." Similar doubts are to be detected from the THJODVILJINN interviewer when he theorizes whether the People's Alliance "will last until the end of the year based on the situation as it is today."

Comrade Lenin

Ossur says that one of the main reasons for the crisis of the People's Alliance is the violent conflicts that have raged within the party: "Many people hoped that this prevailing conflict would stop after the last national congress. To be sure, there has not been any conflict since then, but the work of the party since then shows that conciliation has still not been reached."

"At a quick glance, the situation today seems to be that there is dual power within the party. Two factions that do not in fact fight, but by the same token, they do not work together. As far as I remember it, Comrade Lenin said that dual power could never prevail except for a very short period."

"It is quite clear that this must cease. If people intend to keep the People's Alliance alive and restore it to a strong political power, it will happen on one condition, and one condition only: People must work together."

THJODVILJINN then asks full of concern: "But do you believe that the party can regain the confidence of the people?"

And Ossur answers: "Let's just look at the situation as it is in the political arena today. There is demand for hard-line government opposition. Opinion polls show repeatedly that the government has the support of the minority of the voters. It seems to me that Steingrímur Hermannsson is the main government opposition. There is great need for a strong and united party that could restrain this conservative government and remove it from power as soon as possible. Such a party must have its chance."

Ossur's Reshuffling

As mentioned before, Ossur has been very inconspicuous since he was the main representative of the Olafur [Ragnar Grimsson] group and the THJODVILJINN gang within the People's Alliance before the last municipal elections when he managed the election campaign with memorable consequences.

It can be expected that the Svavar [Gestsson] group will accept Ossur's conciliatory offer with a grain of salt, although he is quoting Lenin himself, and that the guerilla warfare within the People's Alliance will continue for a while. Especially since one of Ossur's magic tricks is to "reshuffle" the parliamentary group in which the Svavar faction is in majority. Without a doubt, they have not forgotten when Ossur fought harder than anyone against Svavar Gestsson, who was the chairman of the People's Alliance at the time, to be allowed to speak at the campaign meeting of the People's Alliance before the last municipal elections. The Svavar faction had one vote more, and the chairman was allowed to speak. Who wins in the fight over the People's Alliance in the end is difficult to predict at this time, although the way matters stand today, it is likely that Ossur's predictions will come to pass and the People's Alliance will self-destruct.

NETHERLANDS

Influence of Gorbachev's Policies on Communist Party

36140030 Rotterdam NRC HANDELSBLAD
(Supplement) in Dutch 23 Jul 88 p 5

[Article by Hubert Smeets: "Forward—And Forget. Gorbachev's Beneficent Influence on Netherlands Communism"; first two paragraphs are NRC HANDELSBLAD introduction]

[Text] Gorbachev's reforms make world news daily. But what is happening to our own, Netherlands Communists? Just a few years ago they split between the "horizontal" VCN [Union of Communists in the Netherlands], which was faithful to Moscow, and the CPN [Communist Party of the Netherlands], which was influenced by feminists and other reformers. Has history passed this conflict by? Are the times ripe for perestroika in the low countries now?

The dialectics of a political splinter group.

This is a golden age for Netherlands Communism. Although contact with the masses may have left something to be desired for some years now, ideologically the remaining communists are thriving. Thanks for this go to Mikhail Gorbachev, the party leader who has restored self-confidence to the "Communist world movement" in the Netherlands too.

The comrades are relieved. Their enthusiasm for perestroika, despite sometimes differing nuances of principle, seems virtually boundless. For enlightened Leninist Leo Molenaar, a chemist in Delft, the executive of the CPN and so increasingly the ideologue of that party, the much abused Lenin, the "inspiring figure under all the dust," is finally being released from his "fetters." Stalin's Leninism was not, after all, "his (Lenin's) bequest." In the eyes of communist activist Fre Meis, the former union leader from Groningen who refused on principle to leave the CPN in the difficult years of "reform," Gorbachev is a "relief for the whole world." Thus Meis will not be satisfied with less than "200 percent" support for the Soviet party leader's policy. Unswerving Marxist-Leninist Rinze Visser from Lemmer, the only city councilman the VCN, *party of Communists in the Netherlands* (a rightist group that broke off from the CPN), can boast of, is actually so optimistic about glasnost that he is already preparing for a less splenetic judgement of Trotsky, the former "schismatic."

No Kowtowing

All agree that Gorbachev's reformism is no kowtowing to capitalism. In the Soviet Union "capitalism was already defeated 70 years ago" (Visser) and naturally the workers will never permit power to be taken away from them. For that reason alone the one-party system will remain intact, Meis says. The working class does not need

pluralism. Three weeks ago, after the special party conference, the party newspaper, DE WAARHEID, wrote: "The CPSU enjoys vast authority. Consequently there is no desirable alternative to having Gorbachev's plans succeed."

For Netherlands Communists it is a piece of ideological cake to analyse the reforms in the Soviet Union. To those who somewhat nastily and full of schadenfreude would like to describe perestroika as a form of liberalism, they say: Gorbachev has restored Leninism to honor; far from dying, the Soviet State has entered a new phase on the road to eventual communism. According to Marxist theory, after all, socialism in the Soviet Union is an "imperfect form of society" rather than a final goal. "If they in the Soviet Union are now expressing the fundamental criticism that we expressed 4 years ago, I don't see that as a step on the road to capitalism; it's an attempt to make socialism more attractive," says Molenaar. Thus the monument that will probably be erected shortly in Moscow to honor the victims of Stalin is merely part of the effort now under way "to write history honestly."

How different things were 5 years ago. Back then the socialism of the Soviet Union and its allies—it was described as "real, existing" socialism—was no stimulus but the source of discord. Once so united, Netherlands Communism actually split over it.

Old Leonid Brezhnev was cold in the ground when the CPN found it necessary to consider some fundamental axioms. It started by coming to terms with its own "Stalinist" past from the days of "member of honor" Paul de Groot. His most famous victims—communists Gerben Wagenaar, Henk Gortzak, Bertus Brandsen, and Frits Reuter, who were liquidated by having their characters destroyed after a 1958 dispute over the consequences of Nikita Khrushchev's de-Stalinization when Marcus Bakker retrospectively discredited their wartime past in "Rood boekje" [Little Red Book]—were rehabilitated in November 1982. At the same time ties with the fraternal Czechoslovak and Polish parties were broken off and the party renounced the Soviet Union as a "natural ally." Just over a year later, a new program of principles was adopted doing away with all kinds of classic Bolshevik concepts. In spring 1984 the party not only accepted parliamentary democracy formally and unconditionally, but it also dropped "democratic centralism" in its own ranks. As if that was not enough, the party slipped its philosophical moorings as well. It wanted no more to do with Marxism-Leninism. Marxist "insights and theories" would be the basis for the future, with "feminism" as a coordinate "source of inspiration."

Praise came to the party from bourgeois-progressive circles. But the price was high. DE WAARHEID just lost more and more subscribers. The party lost ground on both sides. The most radical "reformers" also soon saw no profit in it.

The bitter party struggle eventually split the CPN itself. Some of the so-called "horizontal" communists, who had tried at first to defend themselves inside the party against the loss of bearings, organized their own Union of Communists in the Netherlands (VCN). Two years later this party made no bones about competing with the genuine CPN in the elections. It was a question of dialectics. "We have to go back, ah, in the sense of forward," Marxist-Leninist lawyer Tom Boekman told the "horizontals" at their first meeting in Krasnapolsky in September 1982. But the VCN turned out not to be the most suitable vehicle for that. Outside Lemmer, the little stronghold of popular navvy and road worker Rinze Visser, it had nothing to show for its efforts. At most, the union could take pleasure in the historic defeat suffered by the CPN under the leadership of jurist Ina Brouwer in the Second Chamber elections of May 1986, a few months after the first perestroika congress of the fraternal Soviet party, the CPSU.

Revisionism

A crucial defeat. Within the VCN a short but violent party struggle broke out over who should be considered responsible for this "confusion" in the party. Some comrades bit the dust. However, the Union remained faithful to its original position that "revisionism," Eurocommunism's "de facto betrayal" of "internationalism, the Soviet Union, and its own working class," had to be eliminated.

The intellectual flexibility demanded of the VCN in the past few years is almost superhuman. In June 1984 Henny van Rooijen, a union man from the very first, could still write without embarrassment in MANIFEST, the party organ: "Thus Sakharov lends his aid to big capital and fascism, to arms manufacturers and apartheid fanatics, and directly and indirectly supports the policy of the most aggressive imperialist state in the world, the United States of America." Four years later the same newspaper was compelled to watch Sakharov become an honored citizen in Moscow.

At the start of this year the VCN was still trying to close its eyes somewhat to this. In its new year's greeting the Amsterdam district under the leadership of Daniel Lataster, a young man in his thirties who trims his beard in the spirit of the youthful Vladimir Ilyich Ulyanov (Lenin), was still speaking of "the *steady* policy of the Soviet Union, which opens many doors for the communist parties in Europe." Not half a year later, this same VCN theoretician had to drop that adjective although with the warning that political and cultural "reforms" must not be accompanied by a "retreat into anti-Sovietism" à la Dubcek and Charta 77 whose "so-called Prague Spring blocked rather than promoted the then stirrings of what is now called perestroika."

You can hardly hold it against them. And things are so hard. Nobody can keep up with Gorbachev. They grow wise through suffering. In early February, for instance, in

the week when an anonymous editor of the VCN newspaper MANIFEST launched an attack on Trotskyism—a "wolf in sheep's clothing" whose "infiltrators" are "only out to mislead and disillusion the working class," leading them into the "morass"—"rightist" Bukharin was rehabilitated and the first signals suggested that "leftist" Zinovyev too was due for a reassessment.

Bold statements can be outdated in 24 hours. Hence caution is the order of the day. Rinze Visser, after political secretary Rene Dammen (a history teacher from Amsterdam) the number 2 man in the VCN party hierarchy, clearly realizes that. Cautiously he expresses this formulation: "History is now being unburdened of all sorts of sensitive points. Soon people will be taking Stalin on too. There are a lot of old hurts. That was a terrible time for a large group of people. Was it all really necessary? That's difficult to say. It could have been prevented. Everything can be prevented. But it did happen. Were there mistakes? Or crimes? A crime is a mistake too, a very big one."

The VCN'ers have had the most to absorb. After all, solidarity-through-thick-and-thin with the Soviet Union is their *raison d'être*. This ballast does not weigh on the Marxist-Leninists who stayed in the CPN in 1984. Of course, in assessing developments in the Soviet Union a communist like Fre Meis could not care less about all the "chattering pains in the butt" in the West. Unlike his otherwise respected party colleague, Leo Molenaar, he does not in the least view glasnost as posthumously proving the "reformers" in his own party right. That would be overestimating themselves; they'd be "too big for their britches." Besides, the process in the CPN was no reinforcement of Leninism but rather an intentional attack on it, Fre Meis says. Objectively or possibly even subjectively, the "reformers" served the class enemy. "Infiltration has always been the basic rule of capitalism. Here the peace movement got to be so strong under communist leadership that it became dangerous to NATO. In the end the capitalists haven't managed to destroy communism in the West," says Meis. "For that reason," he did "not hesitate for a second as to the necessity of the struggle against *rightists* in the party like Gijs Schreuders (then a member of the Second Chamber—ed.), Elsbeth Etty (then assistant chief editor of DE WAARHEID), and Andre Roelofs (then responsible for foreign reporting on that newspaper)." "Now we've got to continue that struggle against the last remnants."

The party should just forget the program of principles drawn up back then and still subscribed to by Molenaar. "If that comes up again, it'll just cause trouble," Meis says.

No, in this respect, too, 67-year old Meis is quite at one with Gorbachev. Nor did he join in the "anti-Paul-De-Groot cult" back then: "You've got to look at it in a historical perspective. I can't judge whether the collectivization of agriculture in the 1930's and the stringent central leadership on the eve of World War II were a

mistake. But one thing is certain: the Soviet Union defeated fascism. When the Red Army entered Berlin, I danced in the street; and the director of the HANDELS-BLAD probably did too. After the war they should have done away with the centralism right away. Things happened then that you can't accept. But the Soviet people have got to do that, not the know-it-alls here. Correcting mistakes, criticism, self-criticism: opening your trap, that's the strength of communism."

Reunification

That may be so, but it does not restore the unity of the Netherlands party. That the 6,000 CPN'ers and few hundred VCN'ers are divided remains a blot on the escutcheon of the vanguard of the working class. Within the CPN consensus is growing, that is true. Since the departure of chief editor Paul Wouters early this year, DE WAARHEID is no longer "the daily for the entire left," but a party newspaper, the "megaphone" (Marcus Bakker) by which to address the people. Not for nothing has Meis resubscribed after a 3-year hiatus. And the CPN's Groningen district, which kept its foot stubbornly on the brake back then, is once again on speaking terms with the party leadership under chairwoman Elli Izeboud and deputy chairman Marius Ernsting.

The rapid rise of Molenaar, who as a man of the center denounces the "errors" of both the Schreuders wing and the "horizontalists," has undoubtedly contributed to this. His desire not to canonize the 1982 break with the fraternal Czechoslovak and Polish parties but rather to "lay the groundwork for a reconsideration of that decision" right now will only put the unswerving Marxist-Leninists inside and outside the party into a more charitable mood.

But the long-heralded "reunification" of the VCN and the CPN is still not on the cards in the short run. The rancor and bitterness on both sides are too great for that. Fre Meis, who originally was close to the "horizontalists" because he wanted to keep them in the party, "can't even stand the thought of the VCN." They proved "inconstant" because "they gave up over those minor difficulties." Bringing them back in would be a waste of energy. "The CPN has now got to lead the masses' struggle against the Lubbers government's budget-cutting policies" and "the extensive cooperation of monopoly capital on the London-Paris-Bonn axis." Getting back into the Second Chamber with an "approachable" list-leader—Ina Brouwer no longer seems to meet that standard, although Meis is unwilling to go into that explicitly—is vitally necessary for this.

On the other hand, the little VCN has its pride, too. Naturally there can be no thought of reunification on the basis of the "revisionist" 1984 program of principles. Nor are the 1990 elections any cause for reunification. "Parliamentarianism and mandate-chasing have done all too much damage in the recent past," says MANIFEST chief editor Laurens Meerten (like Dammen, a

historian). First the current CPN leadership must "give way to those willing to take charge on the basis of Marxism-Leninism, united." Or, as Rinze Visser, puts it: "Reunification will depend on our deeds and not on the leaders. A great deal has happened, so it can never be a purely administrative question."

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SPAIN

Felipe Gonzalez on Economy, Political Issues
35480112 Madrid TIEMPO in Spanish
15 Aug 88 pp 8-15

[Interview with Prime Minister Felipe Gonzalez by Martin Prieto at the Moncloa Palace; date not indicated; first paragraph is TIEMPO introduction]

[Excerpts] Anything could be written about the prime minister except that he is tense or on edge. The television cameras and photographs do not do him justice. He is slim, in very good shape, relaxed and not at all irritable, as he sometimes appears in public.

[Question] Prime Minister, Watergate and Irangate were two affairs in which American presidents did not tell the truth. Can you promise on your honor that GAL [Anti-terrorist Liberation Groups] has not been organized on any level of government?

[Answer] I can promise that and I can assure you of that. My administration has nothing to do with that, and the courts will prove it in due time. This does not mean that I or my ministers have to reveal how confidential funds are spent. There is no nation whose government does not have available this kind of budgetary funding to safeguard national security. This government, like every other one, also pays secret agents who gather intelligence for it, but we are not going to be the only ones who talk about it. And the State must be protected in such cases. What I am going to propose to Spanish society is legislation comparable to that of France, to the rules that govern the homeland of human rights and the right of asylum. People may argue with me, but I don't think that I'm suggesting anything outrageous. [end of answer]

For years, when Mitterrand still did not believe in or mistrusted Felipe Gonzalez, before the French president surrendered at the Coto de Donana, the Spanish prime minister had to visit Paris to display the list of people murdered by ETA and to ask at Elysee Palace: "What would the security forces do here if this happened in France?" The replies were always Machiavellian and somber. But French cooperation came through.

[Question] Prime Minister, on the table you have three bound volumes about Spain's economic prospects. What is in store for us?

[Answer] A little analysis and summarizing is always a good thing. For the entire spring of 1983 we experienced the anguish of a very bad economic situation from the macroeconomic standpoint, not only because the entire industrial structure was falling apart but also because we had a very heavy balance of payments deficit and less than \$3 billion in foreign exchange reserves. Less than \$3 billion; it was a nosedive! We had inflation that people insisted on calling structural because they said that it was in keeping with the characteristics of the disorderly Spanish economy, and the same old stories they always tell. Since I'm not an expert in economics, some of these things sounded impossible to me. We had a string of extraordinarily bad economic data. For example, jobs were being destroyed at a rate of 1,000 a day. Europe was experiencing 7 years of economic adjustment, and we were 7 years behind. When the industrial crisis became blatantly obvious with the energy crisis, the European countries began reacting in 1974. We, on the other hand, had not taken any serious step toward containment as late as 1982, except for one effort that Fuentes Quintana made in 1977, which was embodied in the Moncloa Pacts. Well, we were faced with that situation when we came in, and we tackled it quite harshly, sometimes we say quite toughly, although our words were tougher than our actions. Because the industrial reconversion that has been undertaken has obviously had a social cost, a political cost to the government, and a huge budget cost, which is talked about less.

[Question] And that was a starting point for your administration.

[Answer] We decided to make the struggle against the economic crisis one of the administration's priorities. This administration has not engaged in false ideological debates between progressive and conservative approaches that have swept up so many governments, demagogical or irresponsible approaches that have been unable to overcome the economic situation. From the beginning we did not engage in them; I can say that with complete certainty. During the 1982 election campaign I had the courage to announce that before the International Monetary Fund dictated to us what we had to do in Spain's economy, we were going to do it ourselves. And we did so, and our efforts paid off because the economic data began to change in 1985. It is also true that there is a better climate from an international standpoint, but it is no less true that if the improvement in the international climate had not coincided with an improvement in the domestic situation, it would not have benefited us. Spain's gross domestic product has actually been growing by 5 percent a year since mid-1985, and 1,000 jobs a day have been created since then, the same number that were being destroyed before.

[Question] Now that the phase of economic housecleaning is over, what is the outlook?

[Answer] In 1983 almost all of our priorities were somewhat anguishing, because they were priorities in a negative sense. We are now starting to have more, but

not unlimited leeway. I honestly believe that the most difficult thing about the current situation, seen now with some degree of perspective, is that there is a risk of choking off economic growth because the infrastructures are inadequate. Absolutely everyone acknowledges that there are two reasons for the inadequacy of our infrastructure: one historical reason, because in this regard we are very backward as a country, and another more recent economic reason, which has even affected our administration, because during the first phase of our term we could not afford the necessary investments in infrastructure. Money was spent to plug up holes caused by the crisis, the industrial crisis, the financial crisis and the social crisis in the country. There has been an increase here from less than four million to almost seven million pensions. And this entails extraordinarily high costs. So now priority number one is to eliminate the bottlenecks in infrastructure that could choke off the growth of the Spanish economy. Investment is needed in physical infrastructure and in human resources as well, in the sense of adapting young people to the new conditions on the job market through professional training. All of the processes of industrialization, modernization and change that are taking place logically require completely new professional skills.

What does the growth of the Spanish economy mean? I have also tried to explain this with simple examples, because since I'm not an economist, I try to convey to people what I see happening. It means, for example, in comparative terms, that the Spanish economy in 1987 has grown as much as the French economy, in absolute numbers, but from the base of a gross domestic product that is 40 percent of France's GDP. Therefore, we have grown more than twice as fast as the French economy, as there are only 39 million of us, compared to France's 56 or 57 million inhabitants. And we have to maintain such growth in the future.

[Question] Can we sustain such growth?

[Answer] Spain has quite a few problems, even though the situation has improved greatly, and we as a government must ask ourselves a question that is easy to pose and extraordinarily hard to answer: What relative advantages does our country have to sustain the rate of growth that we need to achieve the primary goal of the Spanish economy, which is to create jobs? And if one is capable of answering the question about what our relative advantages are, then let us take maximum advantage of them to achieve this priority of job creation. Moreover, if we have the political courage to withstand demagogical pressure from certain people and to sustain the answer to this question for a long period of time, we will have lifted this country up from four centuries of relative backwardness vis-a-vis the European countries. We will have overcome the counter-reformation, the present crisis, the first industrial revolution and all of the lags that this country has built up over four centuries.

[Question] Why are businessmen so satisfied with a socialist government?

[Answer] Because they have clear ground rules, they know that the economy is not getting out of control, that there is a government that is not going to ruin the process, they know that when what they call the large monetary aggregates explode, this government reins in these monetary aggregates. Many of them are annoyed when they apply for loans and find that loans are more expensive, which is the only way to do the reining in, etc. They protest, but they know that if we did not do this, inflation would skyrocket, they would become less competitive, and the growth in exports that is going on would come to a halt. Consequently, there would be an economic recession, we would again start having excess production capacity, we would once again be in a recessionary process. They know that this government is taking the maintenance of economic equilibrium seriously and they are content or satisfied.

[Question] What is the gap separating your administration from the unions?

[Answer] We are going to begin a process of discussions and we are going to put together a serious, responsible program to find out what can be done. We are now having discussions with the unions and the employers organization about creating jobs for youth. I am of the opinion, which some brand as conservative, that it is much more useful to subsidize jobs for young people than to subsidize unemployment. The unions' answer is exactly the opposite. They want to subsidize unemployment, not employment, and they are also saying that subsidizing employment means making the labor market precarious forever, etc. The other day, the party's Federal Committee was talking about creating 350,000 jobs a year in the Spanish economy. What is more progressive: having those 350,000 jobs go to flesh-and-blood people with first and last names, or to 800,000 people distributed in groups? The fact of the matter is that giving a young person an opportunity to enter the job market is the most progressive thing that we can do. We still have a serious problem, because there is a backlog of a million or so young people and millions of women are entering the job market. I think that Spanish society can solve these problems if we are able and have the political courage to bring young people into the job market, bring them in "whatever it costs," as they say in the Americas. And I, of course, will always be more willing to say, look, don't pay Social Security; the government will pay it. Hire a worker; I'll pay half of the minimum wage; you pay the other half and hire a young person, bring him into the job market...etc, rather than subsidize unemployment.

[Question] Government services are very deficient.

[Answer] The services are all about to explode because they have become too small. For example, health-care services are growing much faster than improvements in

health are, and the number of people receiving care is on the rise. If you put six million more people in a health-care structure that is not growing at the same pace, as have been put in from 1982 to now, there will obviously be distortions in the system.

To correct this we have an operation already half prepared by now. We are going to make the health care system independent of Social Security. And the state is going to take charge of financing health care assistance through taxes.

[Question] At what stage are discussions of the new bilateral treaty with the United States?

[Answer] We have a bilateral agreement that is beginning to look like the sort of agreement that the United States could have with any West European country. The statute of forces has to be the same one as for the FRG or Holland or Belgium. There is no reason for us to have a different relationship. And the bilateral relationship has been worked out in accordance with the decision of the Spanish people when we held the referendum and cut back the U.S. military presence. We have made a decision to be part of the Atlantic Alliance and to establish a bilateral relationship with the United States. What remains is membership in the WEU [Western European Union], which I hope will come about right away under certain conditions in accordance with the referendum. Once these conditions have been met, we are going to act in full coordination with the rest of the countries in the Atlantic Alliance. We are not going to practice "unilateralism" in defense and security, as some would like.

[Question] Your party has now begun to speculate about a doubtful future for Ceuta and Melilla.

[Answer] This is another of the debates that are going on in the party and in which the various sides speak freely. I found out about this in the newspapers. As long as I am prime minister, I am not going to abandon Ceuta and Melilla.

[Question] What is your idea of Europe on the eve of Spain serving as president of the Community?

[Answer] I think that Europe has reached the point of no return on integration, which does not mean that integration is going to happen in the short or medium term. What I think is that now that the step of expanding the Treaty of Rome has been taken with the Single Act and now that two more countries have been brought in, the mechanisms by which Europe functions are either going to be decided on through a greater degree of integration and, consequently, more areas of autonomy or sovereignty shared with the others, or else the machinery of Europe will not be able to work. Since I do not believe that the process of European integration can be reversed, sooner or later there will be greater integration than we are familiar with today. The only thing that worries me about the integration process is whether it will come in

time, in time to take advantage of the 12 European countries and the 320 million citizens who share this project, so that we can take advantage of Europe's current international competitiveness vis-a-vis areas like the United States or Southeast Asia.

[Question] Social Democracy does not seem to be thriving in Europe.

[Answer] That comment does not make much sense. I think that Social Democracy is going to keep on gaining ground in Europe. It is making headway now in the FRG, in Sweden. The conservative option that Norway tried did not last long. In France the Socialists have won again. In Greece Papandreu has been in for two legislative periods and could do a third. In Italy the Socialist Party is even for the first time with the Communist Party and keeps on growing in influence. I think that analyses are dangerous when oversimplified. I don't think that when a Social Democratic party wins, it means a wave of Social Democracy, nor when a conservative wins.

[Question] Aren't you concerned about the weakness of the opposition and of parliamentary activity?

[Answer] I'm caught in a dilemma, because if I say yes, they complain and say that that is the worst of criticisms. And if I say no, I'm not telling the truth. Well yes, the two problems concern me, and they are linked. In other words, Parliament is somewhat fragile in its actual workings, but not in its formal workings, because the opposition is insufficiently coordinated and has no clear-cut, identifiable political programs. Otherwise, there would be no problems in Parliament. The problem is that there is too much common ground between the positions that rightwing groups and some leftwing groups are taking, and this creates too much confusion. Everybody in the opposition in Spain walks with one hand on the ground and the other in the sky, believing that they can encompass everything, and not everything can be encompassed. Not everyone can be against the target range in Cabaneros for the same reasons. It is not possible. And when you leave Cabaneros and go elsewhere, not everyone can be against the target range. Someone besides the administration ought to have a defense policy in this country and will have to put it forth as clearly as the administration has. To me this option is valid because it would strengthen the nature of the opposition. Not only would it not cancel it out but it would give it a distinguishing characteristic. So then, in spite of this, no one will take a step forward. The outlook in this regard is somewhat bleak. Even a figure like Suarez, who did the transition work, thinks that it would be best for him not to spell out an agenda. He defines it simply by exclusion, which is extremely touchy.

[Question] Speaking of Suarez, would you form a coalition government?

[Answer] That is a hypothetical question that active politicians should not answer, because I think that the country is doing fine with a majority government. And I would say that even if someone else had the majority.

What I would dare not form is a government that is not serious and rigorous. If a government means having to negotiate decisions with each party in the coalition, then I'm not for that, because I and my fellow party members in the PSOE realize quite clearly that when you have a responsibility to govern, whoever is in government makes the decisions. The party can decide whether or not you are the candidate, but when it gives you the responsibilities, it also gives you the ability to choose your team of ministers. I think that discussions in the Council of Ministers that would lead to partisan voting would be bad. I don't think that we should exclude people who might not belong to the party or who belong to another party but who can function in a coalition government with the discipline needed to move the country forward. Of course I will always fight for a homogeneous government majority because I think that's good for the country. Everyone thinks the same thing and no one says it. Everyone wants a majority to govern. I said so during the most recent debate in parliament: "Is there anyone who has been at this rostrum who would dare say that he would not like to have a majority government?"

[Question] What has happened between the PSOE and the press?

[Answer] I am incapable of doing a serious analysis of that. First, there is a lack of dedication to communication. There is more dedication to work, to an attempt to do things rather than explain them. This is a shortcoming that I can take responsibility for. I am strongly inclined to make a systematic, ongoing effort at communication, but at times I have the feeling that this is wasting a lot of time that could be spent solving problems. Nevertheless, I think that this approach is mistaken and that much more has to be communicated. What has happened with the press is a normal phenomenon whenever any established power is being criticized. And this phenomenon has been compounded by another, the lack of an organized opposition, which is when in my opinion much objectivity is lost. We have mass media occupying a space that political organizations ought to be filling, and this often translates into criticism that is perhaps too bitter, too all-encompassing and without the assessments that one sees in the press of other countries. Here is a somewhat interesting exercise: put Spanish, French and British weekly magazines on a table and compare them. The result is quite surprising.

[Question] There is very little information about your personal life.

[Answer] I have never kept a diary. I read quite a bit; it's a habit that I haven't lost because of my political activities. I read novels. I like historic novels and I spend

about 2 hours a day on them. I usually watch a film a week, and as you might understand, I want only escape movies. I dine out at friends' homes at times or at restaurants, but I try to be discreet and not cause trouble. To the extent possible I am very involved in family life, despite what they say. I didn't go out much before, and I don't like going out now either.

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Poll Reflects Views on Future of Ceuta, Melilla
35480111 Madrid TIEMPO in Spanish
22 Aug 88 pp 24-29

[Article by special correspondent Charo Fernandez Cotta]

[Excerpts] What is to be done with Ceuta and Melilla? The answer to this question is currently confronting the political parties, and Spanish society as well. According to the data from a poll taken by Sigma Dos for TIEMPO, the opinion most firmly entrenched (among a third of those polled) is that they should be granted the statute of autonomous communities. A quarter of Spaniards deem it more feasible to maintain the current situation. As for the cases wherein Spain should negotiate the sovereignty of both districts, once again, a third of those polled think that this action should be taken if the population of Ceuta and Melilla request it through a referendum.

Sources close to the government's prime minister, Felipe Gonzalez, have assured this weekly magazine that, "So long as the Socialists are in the government, they will keep the Ceuta and Melilla border as a hot spot." As their main reason they argue that, "If Morocco should receive concessions from the Spanish side, King Hassan would begin another crusade, this time against the Canaries."

Moroccan Territory

The Communists uphold a drastically contrary position. The draft of the manifesto-program of Julio Anguita's party, a document that will establish the policy to be pursued by this party over the next 20 or 30 years, calls for the "disappearance of vestiges of colonialism, such as Ceuta, Melilla, and Gibraltar."

This position is nothing new. During a visit to Galicia in early 1985, Santiago Carrillo declared that the two cities are Moroccan territory. He remarked: "We must groom public opinion for this idea."

The issue has kept Spain and Morocco in constant confrontation. Third countries prefer to remain on the sidelines, as in the case of the United States. Good evidence of this was given 2 years ago in Rabat by the American defense secretary, Caspar Weinberger, when he confused Melilla with Manila at a press conference.

The government has repeatedly voiced its intention to provide the two districts with organs of self-government as soon as possible; but its consecutive draft statutes have met with criticism from the opposition. The latest draft submitted to AP [Popular Alliance] and CDS [Social Democratic Center] calls for the establishment of a municipal assembly, headed by a mayor-government president, to be renewed every 4 years in municipal elections. The government does not consider it feasible for Ceuta and Melilla to have their own parliament. The government's delegate in Melilla, Manuel Cespedes, observes: "Their territories lack sufficient significance. We would have to advertise them in the newspapers, soliciting for council members and general directors."

The opposition, for its part, demands that the Constitution's Temporary Provision V be fulfilled, stipulating that Ceuta and Melilla may have access to full autonomy; it gives a reminder that, as the Constitutional Court has decided, "Those institutions that have been given legislative authority are considered autonomous institutions."

Underlying the differences is the insecurity created by the constant Moroccan claim to the territory of both districts. PSOE's [Spanish Socialist Workers Party] number three figure, Jose Maria Benegas, during a visit to Melilla on the occasion of the last general elections, commented that "Ceuta and Melilla are a state issue," and that the types of self-government would have to be determined "on the basis of the defense of their Spanish essence." The subsequent publication of "Program 2000," a Socialist debate document proposing a "negotiated solution" for the future of both cities, has aroused new fears regarding the government party's true position in the Moroccan dispute.

Felipe Gonzalez and Alfonso Guerra have retained as heads of the government delegations in Ceuta and Melilla two persons whom they trust, guaranteeing them direct control of the situation. Manuel Cespedes was transferred to Melilla at the prime minister's personal designation, after having served 4 years as security chief at La Moncloa.

Viceroy in Africa

Cespedes relates that he was told by Gonzalez, "We need someone conciliatory there, like you." The delegate in Melilla has become a kind of "champion of integration," and has no qualms about admitting that the lack of a statute of autonomy has conferred upon him and his counterpart in Ceuta a power comparable to that of the presidents of other autonomous communities, although lacking in parliamentary control. The delegate, who has been christened the "viceroy of Melilla" by the news media, claims: "The fact is that, here, the government's delegate governs, and that has its positive side, namely, a greater generosity in the disbursement of economic funding."

Pedro Gonzalez Marquez, the government's delegate in Ceuta who, despite his surname, is not related to the prime minister of the government, for his part, has a very close relationship with Vice Prime Minister Guerra, whose student he was while attending the University of Sevilla.

Gonzalez Marquez, a former civil governor in Almeria, declares himself an advocate of a statute of autonomy, "which would not substantially change the city's philosophy." He claims that if a parliament were established, "the other Spanish cities might some day come out with the statement: 'make us like Ceuta.'"

The complicated political situation in Ceuta and Melilla has been exacerbated by a precipitous growth in the Moslem population and an economic crisis that has made them increasingly dependent on Morocco. Forty percent of the students in Ceuta are Moslems. Two out of every three children born in Melilla are also Moslems. "Integration at any cost" has been the government's priority goal thus far this year, with an acceleration of the nationalization process and the enactment of a Basic Appropriation Plan that will entail the investment of 15 billion pesetas in housing and infrastructure. But the Moslem sections, like Canada de la Muerte, in Melilla, are still focal points of poverty, in which families live in crowded conditions and lack the minimal health facilities.

In both cities there is also obvious concern over the crisis in traditional business, which has been hurt by Spain's entry into the EEC and the opening of the border with Gibraltar. Much of the commercial activity in Melilla is directed toward its surrounding Riff area, which has grown precipitously under the capital's protection, having attained a population of 600,000 inhabitants. Every day, 2,000 persons cross the border at Boni Enzar from the most underdeveloped region of Morocco, to make their purchases in Melilla.

Business in a State of Crisis

But small-scale contraband accounts for just a part of Melilla's exports to Morocco and other Magreb countries. Last year, goods worth 40 billion pesetas entered the free trade port, two thirds of which was destined for Morocco. A reliable consignee claims that half of the cargo in the containers arriving in port belongs to Moslem importers who are operating directly or through middlemen registered in the Spanish district. This holds true of Amarud Bushta Belaid, a trafficker of used clothing which is carried by ship to Melilla from Alcoy (Alicante) in astronomical quantities, later reaching Morocco by speedboat. According to authorized sources, it totals about 500 tons per month. "They may call it contraband on the peninsula, but that is not accurate," asserts Luis Cobrerros, an inspector from the free trade port's registry, who was mayor of Melilla during the transition.

He explains: "The system for travelers makes it possible to take a million pesetas worth of goods out of the port per ship and person; how those goods enter Morocco is something else."

Ceuta and Melilla, a historic example of ecumenism, have observed Moslem power increase, to the detriment of the Jewish and Hindu communities: 3,000 of the 4,000 Jews who had resided in Melilla have left, to seek their fortune in more prosperous locations, primarily Israel and Venezuela. Some of the Hindu merchants, such as Ayu Lalchandani, a concession-holder for five Japanese electronic firms whose empire was known in Melilla as Sanyolandia, have transferred their business to Madrid.

Generally speaking, many of the traditional merchants have been forced to close some of their establishments, and to reduce personnel, in order to compete with the new importers, who traffic on a large scale, making use of a fiscal license, a warehouse, and a small employee payroll.

The business crisis has affected Ceuta, whose port receives 1.5 million visitors annually, to a lesser extent. Despite this, it has had to close over 100 market-places thus far in the decade. Rafael Montero who, besides heading the Market-Place Association and the Ceuta United Party, is owner of a restaurant, three shops, and the local newspaper, explains: "Since the entry into the Common Market, the same products are found here as on the peninsula, and at similar prices; which has forced us to operate with greatly adjusted profit margins."

Competition From Gibraltar

The port traffic has also declined because of the competition from the port of Gibraltar, which does not charge port prices, as well as the decontrol of oil prices. Antonio Munoz, chairman of the Port of Ceuta Board, explains: "Last year, we supplied 600,000 tons of oil, half of the amount in 1984, and 700 fewer ships arrived here than during the previous fiscal year."

The businessmen's attempts to speed up communications with the peninsula have met with apathy on the part of the administration. The maritime services provided by the Trans-Mediterranean Company are considered to be lacking by 80 percent of businessmen, according to a recent poll by the Chamber of Commerce, which has requested that the government decontrol the rendering of the service, now based on a monopoly system. Under these circumstances, the Ceuta businessmen view the statute of autonomy as a political instrument for emerging from the crisis. In April, they sent a document to the People's Defender, reminding him that the Ceuta and Melilla city halls had requested full autonomy 7 years ago. The People's Defender has not allowed the

document to be processed, arguing that it is not authorized "to supervise the work of the Cortes." The Chamber of Commerce is considering a repetition of its request.

One Out of Every Three Spaniards Favors a Referendum

A third of those polled regarding the future of Ceuta and Melilla favor their being granted the statute of autonomous communities, while a quarter opt for the maintenance of the current situation. A third of those polled

also think that Spain should negotiate the sovereignty of both cities if the population of Ceuta and Melilla request this through a referendum. Of the Spaniards favoring the granting of the statute of autonomy, a fifth belong to the AP electorate, and they include 65.2 percent of the CiU [Convergence and Unity] voters. The maintenance of the current situation finds its support essentially among the CDS and AP voters, although also, to a lesser extent, among the Socialist voters. As for the circumstances and terms of a hypothetical negotiation of the sovereignty of Ceuta and Melilla, the AP voters reject that possibility outright. The minority-majority option (calling for a referendum) is upheld by the CiU electorate and by nearly half of United Left [IU].

How do you think the dispute over Ceuta and Melilla should be resolved?

	Total (%)	Sex		Age				Recollection of vote for the European Parliament?				
		Men	Women	18-29 years	30-44 years	45-64 years	+ 65 years	PSOE	AP	CDS	IU	CiU
Maintain the current situation	22.7	28.2	17.4	19.2	21.2	25.6	25.5	21.2	31.5	36.7	17.4	5.3
Give them the autonomous community statute	33.9	34.7	33.1	33.9	40.4	33.7	23.0	37.5	21.5	33.3	39.5	65.2
Promote an independent state	10.6	10.3	10.8	13.1	10.9	7.2	12.4	10.7	2.3	9.3	17.8	5.9
Negotiate transfer of Ceuta and Melilla to Moroccan sovereignty	13.8	17.5	10.2	12.5	15.0	13.3	14.6	13.0	20.4	15.4	11.0	2.4
Don't know/no answer	19.1	9.3	28.5	21.4	12.5	20.2	24.5	17.6	24.2	5.3	14.4	21.3

In which cases should Spain negotiate the sovereignty of Ceuta and Melilla?

	Total (%)	Sex		Age				Recollection of vote for the European Parliament?				
		Men	Women	18-29 years	30-44 years	45-64 years	+ 65 years	PSOE	AP	CDS	IU	CiU
In all cases	20.7	22.8	18.7	23.6	21.9	17.9	19.3	19.8	22.6	22.9	19.0	8.8
In case of conflict and demand for trade-off from Spain	13.4	16.3	10.5	8.8	12.9	16.4	15.9	17.4	12.8	16.7	12.2	7.7
If these cities' populations request it in a referendum	33.9	34.4	33.5	37.4	37.6	30.8	27.7	34.9	28.2	31.3	41.1	56.9
Under no condition	14.0	18.9	9.3	12.8	14.8	18.5	6.0	11.4	19.8	11.7	14.1	5.3
Don't know/no answer	18.0	7.6	28.0	17.4	12.7	16.4	31.1	16.5	16.6	17.4	13.6	21.3

Technical Record

Universe: persons over age 18; scope: Spain; sample: 800 interviews with a possible error of plus or minus 3.5 percent for a confidence level of 95.5 percent (dos sigma) and p/q = 50/50; selection; random, based on the system

of quotas by sex, age, and occupation; interview: personal; date of field work: 28 July 1988; execution: Sigma Dos, S.A., member of the Spanish Association of Opinion and Marketing Research (AEDIM).

2909

GREECE

Comments on Continuing U.S. Bases Negotiations

High-Level Previous Agreement

35210142 Athens PONDIKI in Greek 28 Jul 88 p 10

[Excerpts] This talk about "rounds" of negotiations on the fate of the American bases in Greece has become a plain joke.

We told you about it long ago. Don't expect any serious developments on the bases during 1988. All the meetings between Zakharakis and Flanagan will end in a tie score—0-0. Yesterday, we found out that another round will not be held in August, not even in September as initially expected. So the ninth round may be in October...and you should be thankful!

There are also some small problems within the government:

—Rear Admiral Kl. Lymeris does not believe he can do his job as chief of the Fleet and at the same time participate in negotiations on the bases (he is a well-known procrastinator; besides, he has expressed his view in writing that the bases are a bad thing). So the admiral asked A. Papandreou to take him out of the delegation. The admiral actually visited the premier the other day, but the latter asked him to stay on for the time being.

—Zakharakis also has a similar problem. He, too, has heavy duties as head of our Permanent Delegation to NATO, and his duties as head of the delegation on the bases are too much. Besides, the man is going back and forth for nothing for these fruitless rounds of negotiations. So, let us see what will happen here in this case, too.

—On their part, the Americans do not seem to be in a hurry (anyway, the bases will be here until 1990); besides, it's fine with them if the issue is formally settled after the Greek election.

The new government, whichever party wins, will find it easy to sign the new agreement and that's all finished! Anyway, the suspense is a matter of just a few more months.

Moreover, it's funny to hear that the Americans were not annoyed by the "warning" [for termination of the talks]; they were actually pleased! This is because if there were no warning, one might think the Greeks were thinking to push the issue into a long uncertainty as in the case of the Voice of America with a silent but uncertain extension of the existing agreement.

Washington does not like such uncertainty; it prefers a clear deal, which means bases assured with signatures until the year 2000 if possible.

So, boys, with the U.S. assured (as it appears) that all will be fine with Athens, things move on in the way Papandreou likes them. For this reason he does not intend to go to the election with the bases' question settled.

Indeed, some people say the following to prove that Greek-American relations are beautiful these days and there is nothing wrong with the talks on the bases: If anything was going wrong, they say, then after Nordeen's murder the Americans would have been up in arms, kicking up a lot of dust with "tourist advisories" and all kinds of tricks. Yet, after Nordeen's murder, they did not lift a finger. On the contrary, the murder led to closer relations of "cooperation" between the security agencies of the two countries.

Last Sunday the government indignantly denied a story in AVGI, saying that there is a "political framework" ready for the agreement, but it is kept secret. We believe... everyone is right.

—Andreas Papandreou and the Americans have agreed on a behind-the-scenes certain solution regarding the process for the political framework of the new agreement.

—But it is equally true that no such text has been put on the Zakharakis-Flanagan negotiating table. Everything is "ready," but at a very high level, so high that no one can prove anything, since in such cases there are no "leaks."

Stay cool, then, and have no doubt that the American bases will be here even in our old age—no matter how old we are today...

Reasons Militating Against Transfer

35210142 Athens I KATHIMERINI in Greek
31 Jul 88 p 5

[Article by Nikos Simos]

[Text] The transfer of the Ellinikon base is turning into a key issue in the Greek-American negotiations. This is because for the Greek government—if the base is transferred—the matter can be exploited internally. For the Americans it has become a matter of disagreement among various decision-making centers.

Specifically, the State Department appears more amenable to transfer of the base which, according to JANE'S DEFENSE WEEKLY, is a likely alternative solution. This is because it is believed that satisfaction of this request would speed up signing of a renewed agreement on the bases. Those are the advocates of the "step-by-step" approach.

Lately, however, the Pentagon and certain circles in Washington believe that this request was submitted because in this way the government would be able to give the impression that by following a strong policy it would limit the American presence and Ellinikon would be

suitable because of its proximity to Athens and to a residential section. This is the truth. Given the opportunity, the Papandreu government would be able to tell the leftists or fellow travelers that this is the beginning of "dismantling" of the bases which will be implemented in the more distant future.

What are the arguments of those who oppose transfer of the Ellinikon base, and who believe that in the end they will prevail?

First, transferring this base to Suda, for example, or combining it with another base, will give the impression that dismantling of American installations from an allied country has started, and this will be a bad precedent for American bases elsewhere.

Second, removal means for the Americans a negative concession for the future, to the extent that any other Greek government could use it in the event of negotiations for a renewed agreement.

Third, the Ellinikon base does not only deal with management but also with refueling of aircraft on the way to the Middle East. It is also used for electronic surveillance and anti-submarine aircraft. So, it is useful because of its geographic location.

Fourth, those who oppose the transfer argue that the American interest goes beyond extension of the base agreement for another 5 years. Therefore, they take into account the reactions of the New Democracy Party and the undecided voters in case the renewed agreement is put to a referendum. An agreement to remove the Ellinikon base might be interpreted—with proper exploitation by ND—as a matter of collusion between PASOK and the Americans to trap leftist voters. In this case, a negative vote to the referendum would be certain. (Of course, the Americans may still believe that the question in the referendum would deal with the stay or removal of the bases, while, as we have said in the past, it would, in fact deal with final approval of the agreement itself.)

Who prevails in Washington will be determined by the finalization of the American intentions toward the present Greek government, as it happened in the past. In any event, there are indications that Washington is today doubting more than ever in the past whether PASOK will be in power after the next general election.

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Poll Shows Majority Wish for U.S. Bases' Removal

35210143a Athens TO KALAMI in Greek
28 Jul 88 pp 8-9

[Article: "PASOK's Bases Are Creaking"]

[Text] While the government's intentions for the future of the bases remain indefinite, the Greek people apparently have clearer opinions.

According to a poll, the majority of Athens residents wants the bases to leave and a majority will be displeased if the bases remain in the end, but the majority also believes that the PASOK government, which has promised the bases' removal, will eventually give in and keep them—a great disgrace, in other words, for PASOK.

On one hand, the PASOK leadership believes that the majority of the people has no problem with whether the bases remain and it says publicly that it will expel the bases and also that, if they remain, this will be the people's decision resulting from a referendum. On the other hand, the voters want the bases to leave—despite the opinion the PASOK leadership has about their authority—and, moreover, they have gotten wind of the government's intentions and are bawling it out. Because what else does a government deserve when it claims it will expel the bases and those governed do not believe it.

Credibility...Less Than Zero

According to a poll conducted by the EVRODIM company in June, 58 percent of Athens residents wants the bases to leave and only 35 percent wants them to remain, while 7 percent did not answer the question. The following fact is also interesting: In March 1988, the corresponding percentage was 53 percent versus 40 percent, with 7 percent not answering. That is, about 5 percent has shifted in favor of the opinion that the bases must be removed. The tendency for an increased percentage of those supporting PASOK's "old" line (also expressing disapproval of the change in line to the right) is confirmed by former polls conducted by the same company in the same area, with the same polling method.

In October 1987 the percentages were: Should leave, 55 percent, should stay, 36 percent, no answer, 10 percent; in May 1987 they were 51 percent, should leave, 40 percent, should stay, 9 percent, no answer.

The inclination of those not answering appears to be oriented to the bases' removal. Thus, in a poll (of the same company, in the same area and with the same method) in May 1986, the percentages were: Should leave, 61 percent, and should stay, 39 percent, as in that poll there was no choice, "no answer."

To what is this constancy of those wishing the bases to leave owing? First of all, to the fact that they already feel betrayed by PASOK which promised the bases' removal and, what was more radical, promptly signed, in 1983, a five-year agreement for the bases to stay which included a promise for removal in 1988.

If we analyze the percentage of those who want the bases to leave in terms of those who wish them to leave "in a few years" and those who want them to leave "right now," we see that the first percentage keeps getting smaller as the time-limit placed by PASOK in the 1983 agreement expires, and the second increases as the date when PASOK must keep its promise approaches.

The proportion of those wishing the bases to leave in a few years was 32 percent in May 1986, 25 percent in May 1987, 21 percent in October 1987, 22 percent in March 1988 and 22 percent in June 1988.

Conversely, the proportion of those wishing the bases to leave "right now" was 29 percent in May 1986, 26 percent in May 1987, 33 percent in October 1987, 31 percent in March 1988 and 36 percent in June 1988.

In other words, within the majority who wants the bases' removal, the percentage of those who have no confidence in PASOK's good intentions and want a removal now is increasing.

An analysis of the vote of those questioned gives us the following interesting data: 67 percent of those voting for ND want the bases to remain and 27 percent want them to leave. That is, the ratio is two to one in favor of the bases staying.

Of those voting for PASOK, 17 percent want the bases to remain and 75 percent want them to leave. In other words, the ratio is somewhat more than four to one.

Finally, all of those voting for the KKE want the bases to leave (93 percent).

Also, it is well known that PASOK is not doing very well in Athens though it is doing much better in the rest of Greece. We have not forgotten that ND was the leading party in Athens in 1985. Consequently, if there is reference to these inclinations in actual party percentages, the majority in favor of the bases' removal are not on the order of 58 percent but of 65 percent, that is, a percentage approaching that of the other referendum which ended in favor of the republic without a king.

However, while the voters have clear opinions, they have no confidence that the government will act according to their will. On the contrary, they believe that the government is determined to keep the bases, or at least some of them.

To a related question, 73 percent answered that PASOK is determined to keep the bases, 13 percent that PASOK will expel the bases and 14 percent did not answer. Here the magnitude of the confidence and credibility is apparent. In 1986, 31 percent believed that PASOK will expel the bases while 6 percent believed it will keep them. That is, at that time there was some distrust concerning PASOK's intentions but now this percentage has increased radically. The percentage of those believing that PASOK will keep all the bases has also increased radically, from 23 percent in May 1986, to 40 percent in May 1987 and 49 percent in June 1988. In other words, the percentage of those who believed PASOK in 1983 is decreasing.

Moreover, of those Athens residents voting for PASOK, 64 percent believe that in the end the government will keep the bases and only 18 percent believe it will expel them, while 18 percent did not answer.

This majority of Athens residents who wants the bases' removal is, however, cautious about making extortions and is not hard-core like the panhellenic committee for the bases' removal which, with its slogans of an ideological nature and its oppositional disposition, is unable to touch them. If it is interested in getting the majority on its side, it must radically revise its foolish propaganda and heed the following:

To the question, "Papandreou stated that if he arrives at an agreement with the United States to extend the bases' stay in Greece, which he believes will serve the national interests, he will hold a referendum for approval of the agreement by the people. In such a referendum would you vote yes to the agreement or no?", 55 percent answered yes and 40 percent no while 5 percent did not answer. The corresponding percentages 8 months ago, in October 1987, were 48 percent yes and 36 percent no, while 16 percent did not answer. That is, one in three of those undecided is oriented to no and two in three to yes. In addition, the conclusion is drawn that:

1. The voters are generally following the line of their party, not their own personal opinion.
2. They consider serving the national interests, not expelling the bases, a more important thing.

If we try to see what repercussions the referendum has on the parties' force and, consequently, what party is favored by conducting the referendum, we observe the following interesting facts:

Eighty-three percent of the ND adherents vote yes and 14 percent vote no. Eighty-six percent of the KKE supporters vote no and 9 percent yes. That is, these two parties do not have big problems persuading their voters. Conversely, 48 percent of the PASOK adherents vote no, 45 percent vote yes and 7 percent do not answer. In other words, PASOK's electoral base is split and therefore the referendum is a painful experience for the party. Consequently, it would be wiser for the referendum not to precede national elections so such a shock can be avoided. But even after elections, if PASOK has won them, its government will suffer very badly while, if it has lost them and an agreement had been concluded by PASOK's government, the party loses (for a second time) half of its voters.

Difficult Dilemmas!

On the other hand, if an agreement has not been concluded by PASOK and PASOK loses the elections, and ND dares to hold a referendum on the agreement which it will conclude, there is a chance of losing the referendum and, as it will have supported the yes vote, it will be

led to a compulsory resignation and second elections within a short period of time. In these cases, ten or so juicy and imaginative scenarios are constructed.

Why? Because, immediately after the referendum, everyone who let the bases stay and voted contrary to their real desire will have changed their minds. This is anticipated by the voters themselves who answer (in the same poll, by the same company, in the same area, at the same time period) the question, "If the U.S. bases remain in the end in Greece, how will you feel?", as follows:

A little or much satisfaction, 29 percent; indifference, 29 percent; a little or much displeasure, 40 percent; no answer, 2 percent.

How does it seem to you? A classic Greek reaction? But who feels the displeasure? The neo-democrats or PASOK supporters?

It is felt by 10 percent of the ND adherents, 52 percent of the PASOK supporters and 85 percent of the KKE followers. In other words, again PASOK has the greater problem and, moreover, in case of a swift repeat of elections, PASOK will not be able to draw votes from the traditional Left; on the contrary, there is now a great danger of losing a segment of its displeased voters in the direction of the consistent Left, as our Maoist friends said 20 years ago. Your wicked mind is considering new scenarios now? So is ours!

Hence, the game Andreas started with the referendum is serious and dangerous. All will depend on the maneuvers which occur. The double ballot box in the elections is certain and, in fact, the ballot box for the referendum is gaining ground rather than that for the Euroelections.

There is also the following scenario, however: Andreas continues the game as he has. He sees that the majority in favor of removing the bases is still more than 50 percent, and the remaining portion is divided between those who want the bases to remain and those who want them to remain only if the national interests are served, otherwise they should be expelled. Shortly before elections he announces that the bases will leave without a referendum because the Americans do not safeguard our highest national interests. And immediately he will compress elections, allegedly for the people to affirm his decision, and at the same time again take the government for a new four-year term, breaking all Greek post-revolutionary records. Not even Venizelos governed Greece for 12 years. We never let them....

The Bases That Are Leaving Remain...

The eighth round of the Greek-U.S. negotiations on the bases began on Monday, 25 July, but if we exclude the leader of the Greek delegation, Ambassador Khristos Zakharakis, no one else knows where we are going, what

we are seeking and what we are negotiating. Where we are going, and who is going, are our objectives. The only thing we know is that the next round will take place in August in Washington.

The government toughened its stance a bit as it was verified that the Americans reacted spasmodically to the written notification of the termination of the agreement signed in 1983. The reason for this toughening was a publication about a secret bases agreement which gave the government spokesman, Sotiris Kostopoulos, an opportunity to harshly denounce the inspirers of this scenario, saying that they are misinforming the Greek people.

In essence, however, the government appears to be flirting with the idea of working out an agreement advantageous for Greece on national issues which, in combination with the closing of Ellinikon base, it will present to the Greek people in order to gain electoral benefits.

Leading PASOK officials stress, nevertheless, that it is certain that, until elections occur, no progress will have been noted on the bases issue as there is no urgency—we have 17 months before us—but also the vacuum of power which has existed in Washington following the Irangate scandal is expanding in view of the presidential elections and therefore it is difficult for serious decisions to be made. The U.S. side apparently will proceed, based on the assumption that "we want the bases," wherever it leads us—that is, at least 1989—with the bases in full operation.

The U.S. side may suffer from uncertainty but it is believed the possibility of a democrat (that is, Michael Dukakis) being elected president in the United States will have little influence on the State Department bureaucracy which remains steadfast in its opinions. It is only the possibility of some Greek American taking over the State Department that troubles the waters. Conversely, there is no such possibility for the Defense Department as Carlucci may remain in his position.

We should not forget that, with the exception of Jimmy Carter, the Republican Party has governed in the United States for the last 20 years. Despite the impression which generally exists, the Democratic Party (that is, Carter) has not been particularly pro-Greek. On the contrary, Carter was the one who pressured Congress to lift the embargo against Turkey for the invasion on Cyprus. For this reason, the Greek Government is not investing political hopes in Dukakis' election, but only in the promotion of Greek Americans to key positions.

As concerns the Greek prime minister's actual intentions, these are mercifully unknown as he himself is cultivating this climate of uncertainty in a high-stakes poker game. Everything is being played out to the end.

The only sure thing is that Ellinikon base is striking sail for a departure or transfer, even if an agreement is worked out. The reason is to decrease the U.S. presence in the capital and the need for the Americans not to control the largest airfield in the country. Moreover, in the long term, we may be laying aside free areas. The Olympics are coming and we will need free ground for athletic facilities.

Aside from Ellinikon, the Americans will abandon fifteen or so smaller bases which have been used until now for storing and servicing nuclear weapons which were warehoused. It is certain, that is, that the few nuclear weapons warehoused in Greece will definitely be withdrawn.

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AUSTRIA

Mock on European Integration, EC Membership
36140027 Rotterdam HANDELSBLAD in Dutch
9 Jul 88 p 5

[Article by Editor W.H. Weenink: "Pan-European Integration No Fiction"]

[Text] Alpach, 8 July—We can once more dream our dreams about Europe. Europessimism is a thing of the past. Long live the optimism of future visions. The "Europe of 1992" has released a great deal of hidden vitality. The changes in Eastern Europe seem to be tickling people's fancies still more strongly. Soviet leader Gorbachev wishes not only to reform his own society, he has Europe in view as well as witness his manifold references to the "common house" of all Europeans.

Related to this is the "Utopia" that Austria's vice chancellor and minister of foreign affairs, Alois Mock, mentioned yesterday. At a "dialog congress" of the "Austrian College" concerning the relationships between the European Community (EC) and the nations of the European Free Trade Association (EVA), he outlined the perspective of a Pan-European integration, including Eastern Europe. In his view the latter would have to constitute the third postwar period after the phase of "mere coexistence" between East and West in Europe with confrontation in nearly all domains except the military, and the period of time upon which we are now entering, a time of very broad cooperation under the influence of the latest developments in Eastern Europe such, among other things, as are manifested in the recent mutual recognition of the EC and the "Council for Mutual Economic Cooperation" of the socialist countries, CEMA. In that third phase the entire European Continent would in future be able to unite itself in a "politics of consensus."

Utopia

That Pan-European integration "is still a Utopia now," says Mock in his statement, "a far distant Utopia" even, but indeed a fiction that can become a reality. "Much in Western Europe that was utopian 30 years ago is now reality, and for this reason I believe that the third phase will be possible, although the present situation will indeed perhaps endure until the next generation."

The Austrian minister drew a picture of the way in which Eastern and Western Europe will then be associated. "In that third phase, the 'Iron Curtain' will have disappeared, and fundamental political and human rights will be respected. There will be freedom of religion and speech. Furthermore there will be a free exchange of people and goods. And freedom of the press." As far as that is concerned, in his view "valuable preparatory work" is already being done at the Conference for Security and Cooperation in Europe (CVSE) which is now going on in Vienna.

Mock expressly incorporates the Soviet Union into the prospective unification. "Of course the USSR is part of Europe. And it is precisely the changes that seem possible within the framework of glasnost and perestroika, if they actually happen, that will make a decisive contribution to the Pan-European phase."

Bridges

On the way to that great united Europe, the European nations must, in the opinion of the Austrian minister, concentrate on the present phase of increasing cooperation, under two aspects. "First, all possible means must be used to bring into being the union of European countries that have the same political and democratic systems. And at the same time the bridges to Eastern Europe must be strengthened through the expansion of practical cooperation."

That rapprochement between the democratic European nations is not going well at the present time. It is true that unification is working very well within the EC, surprisingly enough, but cooperation between the Community of the Twelve and the "other democratic Europe," the six EVA nations (Finland, Norway, Austria, Iceland, Sweden, and Switzerland), shows a less favorable picture.

Mock: "The Luxembourg declaration of 1984, in which EVA and EC nations say that they are creating a 'common economic space,' was viewed politically as a particularly positive development. A number of concrete results were also obtained, such as the simplification of transportation documents and the elimination of bureaucratic obstacles in trade. But I must sincerely acknowledge that we are still far away from that common European economic space. The parallelism in the development of the 'internal' market which must be in existence by the end of 1992 within the EC and the creation of the economic space between the EVA and the EC has remained nothing but a beautiful dream."

Barriers

According to the minister, that comes about because the EC "has given priority to the creation of its own internal market and to the preservation its own dynamic." Furthermore, he calls attention to the following problem: Within the EC people are raising the objection that all the concessions that have been given by one nation to the other within the EC are also being given to non-member nations."

For this reason new trade barriers may be built up between the two blocks, but according to Mock it is in the interest of both parties to avoid such a development. "They would harm not only the EVA but also the EC, because the EVA nations together form far and away the most important trading partner of the EC. Above all, the dynamics of economic growth in Europe would be limited."

Austria is the chairman of the EVA for the second half of this year and it will, says Mock, "do everything in its power to promote the process of multilateral rapprochement between the EVA and the EC." Besides that, it is nonetheless making plans for its future membership in the EC. According to Mock, his government is now investigating whether the modest results of the dialog between the EC and the EVA should be a motivation to apply next year for membership in the EC and thus to gain admission to the long-desired "internal market." Vienna has not yet reached a formal decision on this matter, but it seems well established that that step will be taken. "One cannot say that there is not yet any agreement on this score, just that there has been no decision yet," says the minister.

Neutrality

Objections that are being raised on the Soviet side against the entrance of Austria into the EC seem to be of no consequence to Mock. "We constantly let it be known how we perceive our neutrality and how we put it into practice. Austria is a sovereign state, however, and it pursues its policy in a sovereign way." The point of departure for Vienna is that it can retain its policy of neutrality within the EC, although it realizes that this attitude may cause difficulties at the time of entry. "That is certainly a problem," Mock admits, "but a problem that we judge to be solvable." "The stabilizing effect of our neutrality in East-West relationships has up to now been viewed positively by the EC as well. And in this matter it is not the interests of Austria alone that count, but also those of Europe as a whole."

He does not expect that the EC will intervene in military matters in the near future. In his opinion, EC member-nations who wish to do so can apply to the Western European Union (WEU). In general, Austria can go along with the common foreign policy the EC countries have pursued it up to now. "We have been following the voting patterns of EC member nations in the United Nations. Only in 47 percent of the cases have they taken a common position, and of that 47 percent we have adopted the same stance on 96 percent of the issues," the minister observed.

Alleviation

In his opinion, the EC should be able to receive Austria with open arms. "We are a European industrial nation that will not increase the financial concerns of the EC but will on the contrary alleviate them. We can also make a contribution to the structural reforms in the EC such as those being undertaken in southern Europe. Furthermore there are a number of areas where without the cooperation of Austria no European policy can be pursued, such as European transportation (the traffic between Germany and Italy—ed.) and protection of the environment.

In exchange, Austria, which concludes two-thirds of its import and export transactions with the EC, wants free access to the EC market of 320 million people. It expects more opportunities through cooperation in research programs and hopes to see an end to the discrimination that Austrian agriculture has to endure from the EC, says Mock.

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BELGIUM

Van Rompuy on Planned Fiscal Reform Measures
36140026 Brussels KNACK in Dutch
29 Jun 88 pp 12-16

[Interview with Herman Van Rompuy, Belgian Secretary of State for Finance (Small/Medium Enterprises), by Marcel Gyde and Jos Grobben: "Exercises on the Bar"; date, place, and occasion not given; first paragraph is KNACK introduction]

[Text] Is the planned tax reform a rob-Peter-to-pay-Paul operation? Why is it not a disaster to raise the VAT? Is there money to be gotten from those with an independent income? And do members of Parliament enjoy tax privileges? You ask, fiscal reformer Herman Van Rompuy answers.

If today is like every other day, the core cabinet will be working on the fiscal balancing exercise of Minister of Finance Philippe Maystadt (PSC) and his state secretary, Herman van Rompuy (CVP). Central to their proposals are a series of reforms intended to reduce taxes on earned incomes, with a great deal of attention paid to family- and child-friendliness. Thus the proposals include the total decumulation of incomes, a new invention called the "marriage quotient," and increases in the tax reductions for dependent children. Noteworthy too are a further reduction in the number of tax rates (reduced to 7 with a top rate of 55 percent for incomes over 2,250 million) and the fact that all figures in the Income Tax Code will henceforth be indexed.

All this costs money and in view of the precarious state of the budget something has to be found to compensate for all that lost income. In other words, the operation must not cost anything. The compensation for the lost income comes in three ways: by raising excise taxes (tobacco, petroleum products...), through a series of technical measures, and finally also by reducing some deductions. For instance, taxpayers may no longer show the entire cost of their car as a real business expense, entertainment costs (restaurants) take a beating, and two fixed sums are to be reformed (eliminating the undocumented 5,000 francs for moving expenses and reducing the global fixed sum for those who do not show their real costs). These are the main points of the plan that are being worked into a draft law after receiving the government's OK.

The Greatest Prosperity

[Question] The package of measures that you have announced is a very limited one. It does not represent a comprehensive tax reform.

Herman van Rompuy: You're right, we're limiting ourselves to personal taxation but this operation goes along with three, four other reforms starting in 1980. First there was the "decumulation" rule that affected half of all two-income families. Then we got the famous "splitting" for the one-incomes. Next, just remember the doubling of the deduction for dependent children and finally the "Grootjans Law," which indexed tax rates and cost 80 billion. The operation coming now will amount to 100 billion gross, where personal taxation brings in a total of 600 billion. If you add up all the measures, you do see there's a considerable difference from the way things were in 1979.

I'd also like to point out that the Finance Ministry has suffered terribly because of the reforms. The selective hiring freeze has caused a sort of desperation. Ten percent of the staff positions are open. At the so-called Level 1, 33 percent aren't filled. I'm told that at the collector level, they have only half the normal staff.

[Question] The ministry isn't struggling only with a personnel shortage, it also lacks resources and has hardly any legal ground to stand on.

Van Rompuy: Right. The law—just the law on personal taxation by itself—has become terribly complex. But the behavior of the taxpayer has changed too; more than 150,000 taxpayers now show their real costs, and they have to be checked line by line. And all that has to be done with fewer and fewer people.

[Question] You could also interpret the matter in another way: tax evasion isn't done as a sport; some actually see it as pure necessity. Isn't your administrative problem then the result taxes that are too high?

Van Rompuy: There's a consensus across party lines that taxes are too high. However, purely intellectually you can say that it's all relative, too. One hundred years ago, if you'd said that taxes would go up to 46 percent of national income, they'd have told you there wouldn't be any economy left. We're at that level now and are enjoying the greatest prosperity we've ever had. But, sure, all over the world people realize that we've gone much too far.

[Question] There's an international race on now to get the lowest tax rates. Doesn't our country start out with a handicap?

Van Rompuy: We're in a difficult spot because of the budgetary position we're starting from. Mr Lawson in Great Britain can take some risks; he has a surplus in his budget. We've got a deficit that's still twice as large as in

the countries around us. But then we're not that bad either. Just look at the highest marginal rate. That's going to be 55 percent here. In Germany and France it's just a bit lower. In the Netherlands it's 60 percent after a reform. So we're in the same league as the countries around us. Only we're behind, say, Great Britain, where they're going for 40 percent, or the United States, which is aiming at 28 percent.

Robbing Peter To Pay Paul

[Question] To what extent do taxes that are too high drive that deficit up, in your opinion?

Van Rompuy: That's the famous Laffer curve, from the gentleman who claims that when taxes pass a certain level, they produce declining income. That theory's never been verified. Ronald Reagan experimented with it but after a year he had to turn the clock back. In reducing taxes that way, people count on the so-called earn-back effect. I don't have much faith in that. Nor can we permit ourselves to say: "Just wait till the year 2000, the problems will solve themselves then through the earn-back effect." That's where the concept behind our tax reform comes from, that everything has to be "covered."

[Question] That's your "cover" plan. All reductions are compensated for by increases, including increases in indirect taxes.

Van Rompuy: And by eliminating deductions. Well, if there weren't a "cover" plan, people would accuse us of giving up on the budget problem. That would be fair criticism. Now that we do have a plan, they call it a "rob-Peter-to-pay-Paul" operation. You can't win. I find it very striking that all the attention now is focussing on the elimination of deductions. Other points in the plan, such as the decumulation that will eliminate the discrimination between married and unmarried people living together and which people have been talking about for years now, are being forgotten. They're now seen as some kind of acquired right.

[Question] In the beginning didn't you count on the earn-back effect?

Van Rompuy: There's not a single figure on that in our documents.

[Question] Then what about the 15 billion franc earn-back being cited in the press?

Van Rompuy: That's a calculation on balance. I'm very skeptical about that effect. How do you figure it anyway? What revenue can you label "earn-back effect"? Well, for the first 2 years of our reform, there's no problem about covering costs. Eliminating deductions and increasing excise taxes is enough. There could be a deficit in 1991

and at that point you can't rule out additional compensation. If I were finance minister, I'd certainly go for the whole 100 percent—even if developments with the budget deficit are positive—I wouldn't dare to count on the earn-back effect.

[Question] So it's going to stay with robbing Peter to pay Paul. Isn't there just one very simple solution to your budgetary impasse: spend less?

Van Rompuy: That's putting it a bit too simply. The official government thesis is as follows: reductions in expenditure must go to reduce the deficit. We've got to find 200 billion francs to stop the so-called snowball effect. Now everybody knows that the previous government had a terrible time coming up with 30 billion. We face a far more difficult task; to attain our objectives, we've got to be looking for 80 billion net for next year. In GNP terms we've got to go from 8.4 to 7 percent, or almost twice what the previous government did.

Second, a lot has already been accomplished. The public-sector deficit has fallen from 16 percent of the GNP to 9. That represents 40-45 billion francs. So you can't say that nothing's been done.

Panicked Fear

[Question] The government simply eliminated all government capital investment. Road construction stopped...

Van Rompuy: ...which accounts for barely 2 percent of that reduction. The problem in the past was that as Budget Minister Philippe Maystadt made savings but they were only enough to compensate for increasing interest costs. His efforts did hardly anything to reduce the deficit. It was his successor, Guy Verhofstadt's, great good luck to be able to operate in a period of declining interest rates. In relative terms Maystadt made almost twice the savings of Verhofstadt.

Third point on robbing Peter to pay Paul: a number of injustices in the tax system have been eliminated, like the discrimination I already mentioned. Just getting rid of them was worth the effort. Furthermore, ordinary working people are only providing not quite 25 billion of that compensation. Twenty billion is coming from business and another 30 from excise taxes. As far as I'm concerned, those indirect taxes are free-market taxes. Nobody makes you smoke. Nobody can make you drive 160 kilometers an hour on the expressway. You'll get there at 100 and save on indirect taxes.

[Question] And what about necessities?

Van Rompuy: That's a more sensitive question. But you can make enormous savings on your energy bill. Three years ago nobody drove 120, now they merrily pass people who are doing 140. I still say that to a considerable extent indirect taxes depend on the consumer's free choice.

[Question] You can go a long way with that kind of reasoning. Why don't you eliminate taxes on earned incomes and raise indirect taxes drastically?

Van Rompuy: I can already hear the outrage if we raised them not by 30 but by 60 or 100 billion. In 1977, 2 months before the parliamentary elections Willy de Clercq raised the VAT and the Liberals were traumatized by it. They still believe it cost them the elections. Indirect taxes aren't a question of ideology, they're a matter of panicked electoral fear. It's turned into a political taboo. Well, if you carried out a large-scale indirect taxation operation like that, you'd immediately create an indexing problem. Who's brave enough to drive up indirect taxes so drastically and immediately couple that with indexing? That seems to me—quite apart from any particular government coalition—to be too much of a good thing.

[Question] You could look elsewhere. Today, you tax earned income heavily, income from capital is exempt.

Van Rompuy: In France they did away with the wealth tax again. The Germans have a very low one—it dates back to Bismarck's time—and are just now working on a sort of personal property advance levy. We don't have a wealth tax, but we do have a 25 percent personal property advance levy. That's led inter alia to the notorious capital flight, which is structural in nature in this country. If you introduce a wealth tax now, you'll get another enormous flight, which you'll pay for by importing capital at a high cost. But you see it's not true that we don't tax income from capital.

Lack of Transparency

[Question] One sore point in the tax area is the special contribution for the self-employed. Are there plans to change that in the future?

Van Rompuy: In 1984 we got the new index rule with the 3 x 2 percent loss for wage-earners. The Verplaetse Working Group looked for an analogous system for the self-employed. They based their system on income growth, with all the problems that presents. I admit that holding on to the system causes all kinds of administrative problems.

[Question] Was there even one self-employed person in that working group?

Van Rompuy: No, I don't think so, but if you made that a rule there'd be no end to it.

[Question] But those people weren't aware of the consequences, the practical problems.

Van Rompuy: Well, we're aware of them now. The biggest sore spot here is with the young self-employed, the starters. In their "reference year" they earn, say, 200,000 francs, expand, and then later pay the entire contribution. Some solution has to be found for that. In this context you mustn't forget that you can't just abandon the system for the self-employed. If you did, you'd have to deal with the wage-earners. The self-employed produce 8 billion annually, wage-earners 82, and if you did away with that, you'd have to go through several more St. Anna rounds.

[Question] Another striking fact is the movement into vennootschappen [a type of company]. People use them to gain tax relief. Do you plan to do anything about that in the long run, say by doing away with the one-man vennootschap again?

Van Rompuy: That movement isn't new. Ten years ago people were already beginning to shelter in PVBA's [limited liability personal vennootschappen]. Raising vennootschap taxes is no solution—in view of the international competition they actually ought to come down; the solution is to lower personal taxes. And we're doing that. We ought to reduce them even more, but then we'd have the eternal problem: finding new compensation.

[Question] The royal commission's reform proposal was far broader. Wasn't that an adequate solution?

Van Rompuy: That proposal was indeed far broader—our package doesn't include either vennootschap taxes or fiscal procedures. We'll work on them. I admit that the commission's proposals would have made the movement into vennootschappen more difficult by eliminating the tax credits, for instance, but the government reasoned, "Let's begin with personal taxation, that's complex enough." The rest was postponed until a later stage. As for that complexity, I want to say one thing: a study was made of the concept "indexation of tax rates." Result: everybody thinks this means a tax increase. Index is immediately associated with increase. A study was also made of "decumulation." More than half of two-income families revert to that system but everybody still thinks they fall under the cumulation rule. That proves the total lack of transparency of it all. Nobody understands it. What people remember is the last line on the tax assessment. Do I have to pay more or not?

[Question] What does your assessment say?

Van Rompuy: That I have to pay more.

Misunderstandings

[Question] With your "cover" plan you're opening up new prospects for the treasury. In the future it will be able to tax semi-gross incomes. In the past it was only net incomes.

Van Rompuy: The previous government had already started that. Namely by setting a maximum limit for writing off the purchase price of automobiles. For some people even that represented a tax on genuine business expenses. The problem is this: what are genuine business expenses, what is abuse, and what is private use?

[Question] There are rates for benefits in kind, though admittedly prehistoric ones. A breakfast, for instance, isn't even 20 francs.

Van Rompuy: Assessing genuine business expenses is a delicate problem. There are people who submit clothing costs of 50, 60, even 90,000 francs. Do they really need that much? Should the public contribute? In the long run we're helping pay for some suits and dresses for those ladies and gentlemen. Restaurants... Everybody's convinced there's abuse. The fact that we're cutting there shows that we assume there's some private use involved.

[Question] Would you dare to propose simply accepting business expenses as submitted but at the same time adding 10 percent to the income and taxing that?

Van Rompuy: There was a much stiffer proposal than that, namely from Verhofstadt himself, the former budget minister. He proposed reducing the number of marginal tax rates to two, with 40 percent as the highest rate. However, he linked that to another proposal that was circulated only to a very few people: eliminate all business expenses. Every single one. Theoretically there's something to be said for that. That would put an end to all that nonsense with real expenses... But if Verhofstadt had made that public, he'd have aroused 10 times more opposition than we are now. You lower rates but simultaneously unleash a war over business expenses.

[Question] Your proposal also doesn't put an end to a whole series of special cases. Why, for instance, isn't anything being done about the system for members of Parliament? Fifty percent of their income is classified as expenses and therefore tax-free.

Van Rompuy: It would be healthier to do away with that system. If only to eliminate some misunderstandings. Now people think MP's enjoy a privileged status but that doesn't seem so to me. My older colleagues claim they'd pay far less in taxes if they could prove real expenses. They may well be right. Expenses are very high for the people elected directly.

[Question] You're a coopted senator.

Van Rompuy: They do have far lower expenses. All we have to do is give a dinner every 3 years for the people who vote for us. I have 33 voters.

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DENMARK

Sudden Increase in Emigration Blamed on Unemployment Rise

36390090 Oslo *AFTENPOSTEN* in Norwegian
15 May 88 p 7

[Commentary by Ole Dall: "Denmark Looking for Work"]

[Text] Hundreds of Danes are traveling to Sweden. Not to go shopping, not to take a vacation, but to find work.

This is only one of several examples for Denmark's dark and gloomy labor market in August. Unemployment has suddenly risen dramatically, and while politicians, economists and organizations argue about what should be done, the unemployed are taking matters into their own hands by traveling abroad.

The unemployment figures are frightening. Everybody agrees on that. In a year, unemployment increased by 30,000, and the unemployment figures are expected to increase to over 300,000 during the winter months.

Even if women continue to account for the majority of the unemployed, it is particularly the men who are pushed out of the labor market at this time. As a percentage, the construction industry is hit hardest with an increase of 50 percent in 1 year. Geographically, it is primarily the Western part of Denmark which has the longest unemployment lines.

The non-Socialist minority government, employers, and most economists have no doubt about the main reason for the sudden worsening of the situation: the very high wage increase which is a result of the wage settlement last year.

"In 1987, we succumbed to the temptation of giving large wage increases, and this led to the largest setback for Danish competitiveness in many years," says Poul Erik Pedersen, vice president of the Danish Employers' Association.

Minister of Economics Nils Helveg Petersen from the center party Radical Left agrees: "The rising unemployment rate during the past months is obviously related to the large wage increases in the spring of 1987," he says, and adds that next year's negotiations can provide only extremely modest wage increases.

The crucial point is the competitiveness of Danish industry compared to other countries.

The union leadership has agreed to that, but the Trade Union chairman, Finn Thorgrimson, still believes that costs other than wages must also be taken into consideration. He points out that the government's tight monetary policy to maintain the value of the kroner has made Danish export goods more expensive. A devaluation of the Danish kroner is, however, rejected by both the non-Socialist government and the Social Democrats. The large opposition party accuses the government of being passive in the fight against unemployment. The Social Democrats want public initiatives: increased continuing education, wage earners' capital in industry and large public projects.

The proposals do not get a friendly reception from the government which is opposed to increased public expenses, the reason being that it will increase the tax burden and lead to new wage pressures.

While the government and the opposition argue, everybody realizes that Denmark has fallen into serious economic difficulties. Unemployment is by far not the only problem in the Danish economy.

The foreign debt is measured by the hundreds of billions of kroner, and the interest payments are particularly ominous. The foreign trade balance will also show a deficit of approximately 20 billion kroner this year.

All this means that no responsible government can increase private consumption in order to reduce unemployment. As the chairman for the Economic Council in Denmark, Professor Claus Vastrup, puts it:

"In the short term, the balance of payments can be weakened and employment can be increased to a degree, but this is not possible in the long run. The deficit results in higher interest and capital payments which is bound to affect employment at some other point in time."

The politicians know this, and so do the Danes. Perhaps that is why more and more Danes are moving abroad. The last emigration figures show the largest emigration wave since the economic crisis in the early seventies.

12831

FINLAND

Former Eastern Trade Minister Laine on Problems in USSR Trade

36170100a Helsinki *SUOMEN SOSIALIDEMOKRAATTI* in Finnish 29 Jul 88 pp 9-11

[Interview by Tuomo Lilja; date and place not given]

[Text] Director Jermu Laine, formerly a foreign trade minister of long standing and one of the most experienced experts in Finland's Eastern trade, proposes that central problems of the principles of Soviet-Finnish trade be dealt with on the heads of state level.

In Laine's opinion, it might be advisable for President Mauno Koivisto and General Secretary Mikhail Gorbachev to discuss the long-term program [PAO] first signed in 1977 and later extended to the year 2000, and to determine the extent to which its principles are still in force.

When the oil prices crashed, the trade target figures on which the PAO was based were invalidated. Laine points out that the original purpose of the PAO was to bring long-range security and predictability to mutual trade.

Second, Laine holds that Finland's receivables of about 5 billion marks should also be discussed as needed on the highest political level, aiming for a basic solution that would take care of most of the Finnish receivables through a long-term currency credit arrangement. Jermu Laine estimates that at present in the Soviet foreign trade system, decisionmaking "involves so many different kinds of dependencies that it might be impossible on lower levels to remove the obstacles caused in the steady development of trade by Finland's large receivables."

Third, Laine proposes that changes be made in Soviet regulations concerning joint ventures, as these regulations have proved too rigid to allow for the kind of flexibility their Finnish counterparts provide. In Laine's opinion, the main reasons for numerous plans for cooperation not having proceeded beyond wishful thinking are the inflexibility in collaboration between various Soviet officials, disinclination for risk-taking, and awkward modes of operation.

Director Laine is the first Social Democrat to discuss in substantial terms President Koivisto's possible direct involvement in the central problems of Finland's Eastern trade.

Attempts to pile upon the president the most urgent task of balancing the trade constitute, in Laine's view, a blunder in domestic policy. The expectations of the Communists, the SKDL, and the Center that the president will take action in this matter are, in his opinion, unrealistic.

Laine firmly refutes recent strong accusations by the Soviets that Finns have been passive and slack in Eastern trade.

He strikes back with a vengeance, claiming that all the essential causes of problems in the Eastern trade are to be found in the Soviets themselves, especially in the structure of their export trade that is concentrated on energy and raw materials.

Laine holds that the Soviet Union should get rid of the encumbrance of its clearing account deficit by appropriate credit arrangements.

"It would be inadvisable and against the spirit of our agreements to create a balance by cutting Finnish imports and by postponing payments arbitrarily," says Laine.

Laine, who is currently the director of the Bureau of Customs, further proposes establishing a major joint venture in forest industry.

Jermu Laine is undoubtedly one of the most experienced Eastern trade experts in Finland, if not the most experienced. He first acquired a position in the Ministry of Trade and Industry 33 years ago, in 1955. For 14 years, thus for longer than Ahti Karjalainen, he served on the Board of the Finnish-Soviet Economic Commission. He was for seven years the cabinet member responsible for Eastern trade.

Laine is known to have expressed strong and controversial views before. Some two years ago, the Taistoites [extreme left communist faction] as well as some Center Party members criticized his policies as Minister of Foreign Trade. According to the Taistoites, he leaned too much towards the West. The Center Party attacked the SDP as part of their presidential and ministerial machinations.

The soup boiled over when the newspaper HUFVUDSTADSBLADET reported that the minister was out of favor with both the Soviets and the Finnish president. As this "fact" quickly spread to the Swedish press, Koivisto saw that it was advisable to lay the rumors to rest, and Deputy Prime Minister Ivan Arhipov later followed suit on the Soviets' behalf. Laine had become the second cabinet member to get an individual vote of confidence from the president.

Laine is especially piqued over the continuing insinuations to the effect that Soviet-Finnish trade has arrived at a special kind of crisis, caused by Finland. He maintains that this is by no means the case, as becomes obvious by merely scratching the surface.

He emphasizes the fact that well over 90 percent of the Soviet exports to Finland consists of oil, other energy forms and raw materials, and that the proportion of these products in exports to other Western countries is even greater. These basic facts are often overlooked.

This is, in Laine's opinion, the crux of the matter. The structure of Soviet exports is altogether too one-sided, completely unsuited for a modern industrial state.

"It is partly just like a model for a small developing country's foreign trade, with extensive raw material exports and wild fluctuation in export revenues."

After the price of crude oil crashed, and had stayed down for years, the Soviet Union has been at the mercy of world market prices. The value of Soviet trade to the EC countries went down by half between the years 1984 and

1987. Export revenues from this trade alone have decreased by at least 50 billion marks, according to Laine's calculations. This has led to a shortage of exchange currency and restricted import possibilities from the West in general.

"Basing over 90 percent of foreign trade on energy and raw materials is bound to bring imbalance and insecurity," says Laine and notes that the Soviet Union in the past had to establish priorities—for example, it either wanted to or had to place the space projects and the arms industry ahead of export-oriented machine and electronics industries. But the situation is changing, though only as of recently."

"How could it be possible for Finland not to feel the repercussions of such deep structural weaknesses? It couldn't," Laine surmises.

"We simply have never needed to face this truth squarely."

The Soviet Union is now struggling hard to diversify its exports. But this is such a deeply-rooted problem that it will probably take at least the rest of this century, Laine surmises. And that will also be how long Finland's so-called Eastern trade crisis will last.

In the dispute over whether Finland's eastern neighbor will come up with other exportable wares in addition to energy and raw materials, Laine is undoubtedly one of the most qualified experts.

He points out first of all that even now Finland imports exceptionally large quantities—even if only under ten percent of total Finnish imports from the USSR—of Soviet machinery, equipment and consumer goods. In other countries their total share is, unbelievably enough, even smaller, in some West European countries only two to three percent.

Secondly, Laine reiterates what Prime Minister Nikolai Ryzhkov said in the CMEA conference in June.

"He said that CMEA internal trade drags behind as regards machinery, equipment and highly refined goods, and is in fact in a state of paralysis due to the poor quality of wares. He said that the Soviets are unable to market or service their products and that prices are variable due to exchange currency systems. If they have such difficulties 'mong themselves,' how could it be easy between Finland and the Soviet Union?" "We cannot avoid the fundamental problem, which is that the Soviet Union has not built up a wide-based and varied export industry for machinery, equipment and consumer goods. That is the root of the problems in our Eastern trade." "They always say that these products can be found also for import to Finland if carefully sought out. Well, there's a small morsel of truth to that."

However, Laine reminds us that during his ministerial period, long lists were prepared on what could be brought from the Soviet Union to correct the problematic balance of trade; yet only a fraction of the items on the list has been actually traded.

"We also have noticed in Finland that other Western countries every so often receive goods in which we would be interested, but which we do not get, apparently for reasons having to do with the Soviet Union's foreign currency needs."

Trade between the Soviet Union and Finland concentrates on exchange of goods. In normal situations, there is no movement of currency involved.

One of the most difficult problems in the current Eastern trade situation is the Soviet Union's massive indebtedness to Finland, now already at about 5 billion marks. It not only inconveniences trade but is even becoming an encumbrance of sorts to our national economy, as only a portion of receivables has been transferred to an interest-bearing special account. An additional threat is the possible devaluation of the rouble, which could at its worst generate Finnish losses amounting to hundreds of millions of marks.

Jermu Laine seems to be in a state of near-shock as he talks about the the current situation of the balance getting bogged down into indeterminable indebtedness.

"The Soviet Union tells us that it cannot afford to pay for what it willingly bought from Finland. Some time ago, we were in a similar situation as oil prices went up and we had increased expenses. We could not just say that we could not afford to pay. We paid by additional deliveries of goods."

"In my opinion, the present state of affairs is not very fair or sensible to either trading partner. This knocks the bottom out of systematic and sustained trade."

Laine calls attention to the year of 1977 and the long-range program, PAO, signed by Kekkonen and Brezhnev.

"Why was it made? For the very reason that mutual trade between our countries would not be dependent on international politics or economic trends but would be well planned and sustained. In order that we could be told in what quantities the Soviet Union would need our products in the long run and in what quantities we would need theirs."

"So now they say that this has no significance—and only because the price of oil has changed. Can the PAO all of the sudden be worth nothing more than the paper it's written on?"

The depressed level of trade is the most conspicuous problem. It is felt most acutely by workers and businesses in the Finnish shipyard, textile and clothing industries. Thousands of jobs are in jeopardy.

If the Soviet Union cannot come up with the means—which Laine finds hard to believe—to pay for their bills, or the Soviet Union is unable to step up deliveries of those products that are in demand in Finland, the only way to reach balance is to lower the trade level further. But this, in Laine's opinion, would be a very poor solution.

"Is it wise to lower the trade level in the future in any significant degree, even temporarily, in order to square the accounts?" he ponders, and comes to the following conclusion:

"In my opinion it does not make sense because we have worked for decades—for example in the ship building industry, and more recently in telecommunications—especially to satisfy Soviet needs. In scientific and technological cooperation, we have attained fine results, for example in environmental technology, the pharmaceutical industry, space technology and the development of building materials."

"We now have both separate and cooperative know-how, and they have permanent and growing needs. Can it be wise to leave our expertise unused, at loose ends, on the wrong track, simply because oil prices have fallen and because there is no other way to collect the receivables?"

"In a few years, the situation may have improved, but will we then have a sufficient amount of know-how to offer to the Soviet Union that would best benefit them?"

In Laine's opinion, the Soviet Union would be wise to hold onto Finnish know-how "instead of making such a big issue of payment arrangements."

"In proportion to the size of the Soviet Union, Finland is a very small component—however, it is valuable enough as such. We have not yet reached a crisis situation. But it will be a crisis, if the debt must be serviced by cuts in formerly agreed-upon exports. The Soviet Union is not a poor country, they are well able to pay. It is only a question of how they want to arrange the matter," he contends.

Finally, Laine proposes a solution:

"Change the main portion of our clearing account receivables into exchange currency receivables, with a standard international interest rate, thereby also removing the devaluation risk. Have sufficiently long terms of repayment that would allow for stabilizing the level of trade at a high level. Eventually new products would be found for us to import from the Soviet Union. And in the

long run, the Soviets would have time to get their structural problems fixed. Also, it is likely that the price of oil will rise in the 1990's."

"But as long as nothing is done about the debt, it will hang over all solutions like the sword of Damocles. If the Soviet Union will not give any leeway, there is no other alternative but to cut the Finnish exports."

"That would be unwise from both the economic and political standpoint," Laine grieves.

He regards as especially important that the Soviet Union should reorganize its foreign trade structure. In his opinion, the USSR must build up especially its export industries, and follow international standards and quality expectations. Soviets must train export personnel who are appropriately aggressive.

The Finns could be of great help to Soviets in making these structural changes, Laine maintains—not only in the Kola project but also especially in developing forest industries, which is a field where Finnish know-how is superb.

"The Soviet Union has the world's largest forest reserves, yet it is now buying paper from abroad. There is no sense in that."

In Laine's opinion, a major joint venture in forest industry should be established. There have been such plans, but thus far, all such projects have fizzled out.

"This is an area where success is assured," Laine declares.

In the past few weeks, the Finns have received a slap in the face over the issue of Eastern trade on two occasions. First the Soviet trade commissioner in Finland, Vladimir Pugin, criticized the Finns in Kansan Uutiset for holding onto outdated attitudes in the matter of Eastern trade. Especially in the exploitation of the Kola Peninsula's natural resources, hardly anything has been achieved, and Japan for example has bigger stakes there than Finland, Pugin grumbled.

Then, a couple of days ago, Gosplan departmental chief Sergei Plyuhin stated that Finnish enterprises have not understood the opportunities and essence of the Kola region, and that the state of Finland is passive, not exerting tight enough control in the matter.

This kind of criticism is not in Laine's mind at all unique. It has been made before. Yet, so far, the Finns have not usually reciprocated equally.

"Individuals' expressing matters this way stems from old times; it is an encumbrance stemming from earlier decades when the Soviets were in the habit of making it known that Finland should do this or should do that. Only the wording has changed with the times."

"The two seem to have a time lag in understanding perestroika. The official line of perestroika has been to transfer decision making powers and contact systems to lower levels, to businesses, away from ministries and the government. And here we have this department chief who comes and tells us that the Finnish government and the ministries should do more. What he is offering us is reverse perestroika."

"This was frankly surprising...in fact depressing," Laine says.

In the Kola project, according to Laine, Finland is at the moment in a phase where corporations are definitely in charge.

"The government cannot take over negotiations for the corporations. There is no sense in assuming that some government official would be smarter than Kemira, Outokumpu, Rautaruukki or Partek. If the enterprises themselves cannot gauge what is good for them, neither can any public official or a minister."

Laine points out that the Kola project has largely its own history. The trade commission has had its own Kola work group for the past three years. Of the corporations, Outokumpu has conducted negotiations for at least half a decade now, and has achieved some results, too, for example with respect to modernization of the Petsamo nickel mine. There have been supplies deliveries from Finland for about two years now.

According to Laine, the Kola issue can be divided into two parts, the first one being the modernization of existing mines, in which the Finns have participated well in his opinion. The other part is the really gigantic project.

"It seems to be a matter in which not even the Soviet Union itself knows what it wants, how it should divide the Kola pie. At any rate, our corporate enterprises are thoroughly involved in preparations even here," says Laine, noting that if anyone is to be blamed for shilly-shallying in this matter, it is the Soviets, who have shelved many issues to gather dust.

Laine has a clear-cut answer to accusations that Finland has remained passive, at least in regard to the issue of the Kola Peninsula.

"They claim that if the Finns drag their feet, the project will go to the Japanese, Germans or Swedes. In claiming this, they are bringing together unrelated issues for a debate that thus becomes misleading."

"By making Japan an issue they probably mean, above anything else, big long-term low-interest loans, which are Japan's, and also partly Germany's points of strength. If it is most important for the Soviet Union to obtain such loans, we must admit frankly that we cannot beat Japan in this area."

"But in my opinion, what is at least as important is the transfer of technology, responsible and punctual handling of total projects and utilizing both production and trade experience. If these considerations are as valuable as loans, Finland must indeed be in a position of strength," Jermu Laine concludes.

13421

Industry Ministry Projects Energy Outlook to Year 2030

36170094 Helsinki *HELSINGIN SANOMAT* in Finnish
28 Jul 88 p 23

[Text] Increases in energy consumption will level off and decline in Finland during the first decades of the next millennium, provided that Finnish society continues to develop along present-day lines. This trend will result from slackening economic growth, a decrease in the population and significantly more efficient energy use.

The Ministry of Trade and Commerce makes this prediction in its publication "Energy Economy in 2030," which outlines the energy situation over the next 40 years, assuming that no major upheavals take place in Finland, in the world or in technical developments.

Along with these projections, threats to peaceful development were considered. Intensifying environmental problems, in particular, are expected to cause radical changes in energy policy.

The peaceful development outlined in the report would lead to a halt in the growth of total energy and electric energy consumption fairly soon after the year 2000. At the most, the country would consume about 40 percent more energy than at present. However, it is estimated that the need for electric energy will go to 60 percent above the current level.

In the absence of surprising changes, energy production methods would not differ significantly from the present ones, except that oil would yield its present dominance to coal, which would produce 25 terawatt hours instead of the present four.

Natural gas would gain in importance, but nuclear energy would be produced at the present level. The use of fuel peat is expected to increase to the level of other domestic energy sources. New and renewable sources of energy will enter the markets, although their share by the year 2030 will still be insignificant, the report predicts.

Conservation To Be Emphasized

The report, intended to form the basis of energy policy discussion, estimates the following decrease in energy production: one-third in industrial heat production, one-fifth in electricity and just under one-fifth in the heating of residential buildings.

However, to realize the outlined savings, purposeful and strong energy policy measures are needed, and there is a danger that not enough emphasis will be put on conservation.

A continual rise in income trends to lead to lessening interest in the conservation of energy, the report points out. The situation could change if the cost of energy were to increase significantly, but the country's entire energy policy cannot be based on this assumption alone.

Technically, it would be possible to conserve more than predicted. The survey examines the question of increasing the efficiency of energy production and at what cost.

It concludes that by using the best possible technology, it would be possible to achieve a 10 to 20 percent cut in heat consumption and a nearly 10 percent cut in electricity use from the current levels.

The cost of the cuts varies greatly from case to case, but at present price levels, conservation would not be particularly profitable.

It appears that currently feasible conservation measures will be in full use 20 years from now; however, strong government actions could shorten this time frame.

Changes in Environmental Situation

The report emphasizes that the obvious intensification of environmental problems may have a pronounced effect on energy decisions. The intended decrease of sulphur dioxide emissions and the halting of the increase in nitric oxides might not be sufficient measures to arrest acidification.

Additional signs of tougher environmental legislation can also be predicted on the basis of estimates to the effect that by the beginning of the next century, increased energy consumption will have raised the carbon dioxide content of the atmosphere to an extent that will cause discernible changes in the global climate.

There are no commercially available technologies at the moment that would satisfy the most stringent requirements outlined in the Ministry of Trade and Commerce developmental model.

New technology is needed especially for the burning of coal where, for example, 90 percent of the sulphur output should be eliminated.

Regulations dealing with the burning of oil and residual fuels, as well as those regulating oil quality, have to be made tougher. The currently available technologies could meet these demands, but a major investment would be necessary to implement them.

In the event that new technologies cannot be implemented to make it possible to comply with tougher environmental legislation, the energy policy measures that would subsequently be necessary would invalidate the outlined models for energy consumption and production.

In that case, tougher measures would be needed to restrict the growth of energy consumption and to steer energy production to the fuels that exert less strain on the environment. This alternative would rely heavily on natural gas, biomass and nuclear energy.

Tougher restrictions would mean additional expenses. Producing electricity by burning coal would be about one-third more expensive than outlined, which would alter the competitive position of energy sources.

However, the report emphasizes that forecasting a situation 40 years from now leaves room for extremely divergent developmental trends. Improvements in energy technologies could in the coming millennium lead to a radically different development.

13421/9274

Paper Comments on Report Detailing Energy Outlook

36170100b Helsinki HELSINGIN SANOMAT
in Finnish 29 Jul 88 p 2

[Editorial]

[Text] At beginning of the summer, the Ministry of Trade and Commerce published a survey that forecasts the energy situation in the year 2030. It estimates that the growth of energy consumption will be leveling off soon after the turn of the century, and that in the subsequent decades it will even fall slightly. This conclusion was based on the slowing down of growth in population and national income and on the assumption that energy consumption will not increase with growing incomes nearly as much as at the present. The survey thus dismisses the currently accepted truth that development of the national economy will lead to continuous growth of energy consumption.

Nevertheless, all electrical production facilities must be completely rehauled within the next 40 years. The survey, in other words, neither supports nor condemns any energy policy solutions, and it does not take a stand on rehailing the current production facilities that supplement nuclear energy and would replace it, let alone on the issue of developing additional nuclear power capacity which Finland was striving so hard to realize before Chernobyl. However, the survey is a good incentive for discussion on energy production.

The alternative of nuclear energy is mentioned for example in the section which deals with possible exacerbation of the environmental issue. The survey regards as obvious that after the current goals of atmospheric protection will be realized by the turn of the century, the ordinances on sulphur emissions will be tightened again. No commercial technology is now available that would enable us to meet those future conditions. That would leave to us energy sources that initially exert less pressure on the environment, i.e. in practical terms, nuclear energy.

But plans for building the fifth nuclear power station have been laid to rest. What is left are natural gas, biomass and further development of coal burning technology. We must expect significant results from the study that the Ministry of Trade and Industry has undertaken in this area. For in the event that no new technologies emerge even after the year 2000, we have to cut consumption radically, because biogas, solar and wind energy, and even natural gas are still marginal energy sources, not real alternatives. We are living at the eleventh hour, as there are only eleven years left to the end of the century.

"Energy economy in the year 2030" covers an exceptionally long time span. It is not a scientific study and its probability of being accurate cannot be verified. But the long lens will hopefully help decision makers to see beyond tomorrow. It is fairly certain, according to this survey, that a sharp rise in the price of oil and energy awaits us in the future.

There has been a rather long silence on energy conservation. The citizenry cannot be demanded to make investments from which returns can be expected only after a hundred years. The forest industry's energy consumption is being made into a developmental project, with the goal of enabling a larger and larger number of the plants to produce their own electric power. This is conservation on an appropriate scale.

It is to be hoped that the knowledge of rising energy cost and future scarcity would make a new difference in the citizens' attitudes to conservation. For in the final reckoning, it is only humans who can conserve energy—not even highly developed machinery and equipment can do it on their own.

13421

GREECE

Natural-Gas Agreement With USSR Seen Not Advantageous

35210135 Athens I VRADYNI in Greek 27 Jul 88 p 17

[Text] An agreement was signed yesterday for the procurement of natural gas from the Soviet Union. The agreement does not contain commitments on the Soviet side for the purchase of Greek products, and leaves the question of pricing open. According to the agreement, the USSR will provide Greece with natural gas for the next 25 years starting in 1992.

Observers doubt the agreement is economically advantageous for Greece because natural gas is more expensive than crude oil and because it will require large investments in infrastructure and technical installations.

From the point of view of environmental pollution, however, the agreement is considered more adequate.

Concerning the balancing of advantages, it is noted that while Greece has signed the agreement for the purchase of natural gas, the obligations of the Soviet Union are extremely unclear. Characteristically, Minister of Energy A. Peponis said only that "in the next few months an agreement concerning the purchase of Greek products by the Soviet Union, must be signed."

It is obvious that Greece has not succeeded yet to secure concrete commitments on the Soviet side.

The agreement was signed in the offices of the Public Petroleum Corporation (DEP) by that company and the Soviet organization SOJUZGAZEXPORT for the procurement of natural gas from the Soviet Union in implementation of the agreement between the Greek state and USSR.

For the Greek side the agreement was signed by DEP President Kostas Papaspyridis and, for the Soviet side, by the president and alternate director of SOJUZGAZEXPORT, V. Mikhalev and Ju. Domrachev, respectively.

It should be pointed out that, among other things:

- This agreement is one of the largest trade agreements ever signed by our country and provides that the USSR will provide Greece with natural gas for the next 25 years starting in 1992.
- The gas will be delivered over the Greek-Bulgarian border and the total quantity we shall receive will exceed 50 billion cubic meters. This quantity is equivalent to about 370 million barrels of crude oil.
- The cost of the gas in constant prices will be 4 billion dollars and payment will be made mostly by exporting Greek products to the Soviet Union.
- The agreement between DEP and SOJUZGAZEXPORT specifies the basic trade and technical terms for the procurement of the natural gas.
- A basic provision of the agreement makes cost review possible if it is determined that there is a substantive change in the conditions of the international market and of the energy prices in Europe, so that the price of natural gas in the internal market will be competitive.
- Technical details concerning special issues related to the operation of the export agreement can be worked out by the two sides.

8193/12232

ICELAND

Government Budget Plan Foiled by Big Increase in Expenditures

Large Deficit Projected

36260016 Reykjavik MORGUNBLADID in Icelandic
26 Jul 88 p 35

[Text] There are several clouds in the sky in our health care system and in agriculture, which may affect national treasury profits in the second half of this year, thus increasing the treasury's operating deficit, according to announcements from the Ministry of Finance. There is already a deficit of some 700 million kronur. The budget agenda for this year anticipated a deficitless national budget.

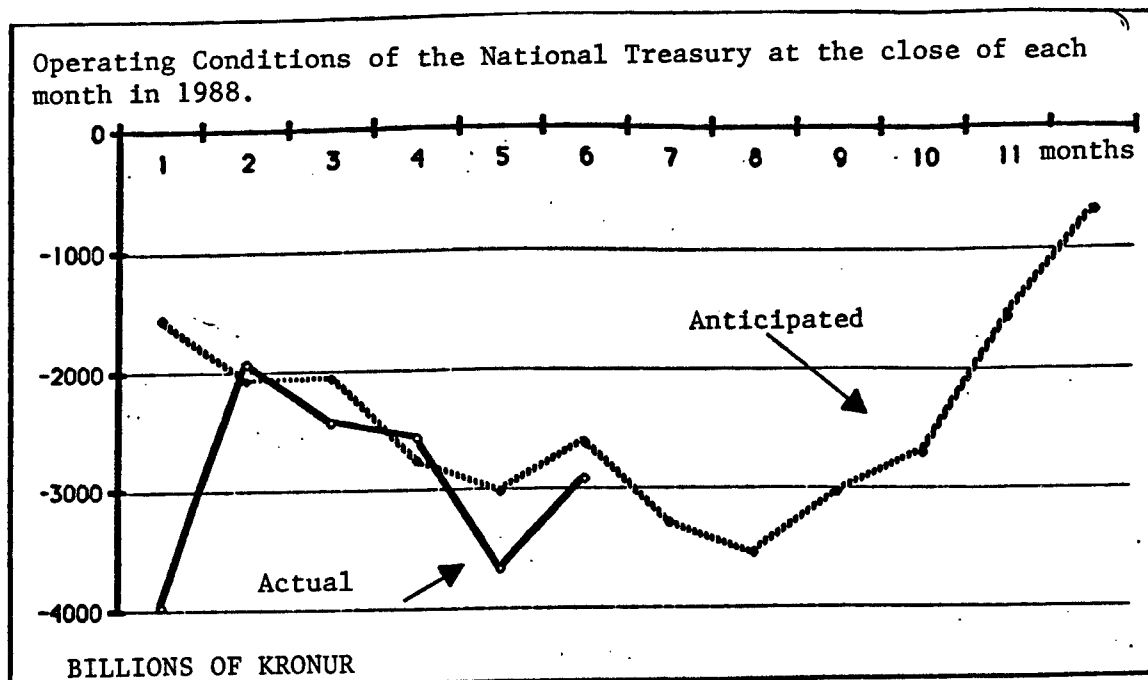
In the first 6 months of this year, the operating deficit of the national treasury was some 2.9 billion kronur; it is expected that the income remainder for the second half of the year will amount to 2.2 million.

According to the announcements from the Ministry of Finance, price increases have caused decreases in the fluctuations which, among other things, bring down the

sales tax income for the national treasury. Increases in salaries, exchange rates and price levels have on the other hand been harder on expenses. In addition to this, decisions have been made to raise various expenditures above what was determined in the budget—which now amounts to some 450 million kronur.

The income of the national treasury is estimated at 67.5 billion kronur altogether, which is now 4.5 billion higher than was planned for in the budget. Payments are counted at 68.4 billion kronur, which is 5.1 billion higher than was planned for in the budget.

As was announced previously in MORGUNBLADID, there will be a 2.5- to 3-billion kronur deficit in the national treasury next year, according to the plans for next year's budget. In addition to the discrepancy already present in the operation of the national treasury, a decrease in income is expected because of the decline in income resources. It is expected that the income of the national treasury will decrease some 1.5 billion kronur because of this, despite the income from beer sales. In addition to this, increased expenditures are anticipated for education and health programs.



Estimates from the Ministry of Finance concerning the operating conditions for the national treasury at the end of each month in 1988. For comparison, the actual operating conditions for the national treasury for the first 6 months of the year are also indicated.

Finance Minister Jon Baldvin Hannibalsson announced at a press conference that special thought will be given as to how government expenses might be cut back more economically, spending more temperately. Committees will be starting work on behalf of the Ministry of Finance and the associated ministries which draw funds from money-rich sources and which will come up with proposals for cutting back expenses. A special committee will be working on ways to cut back expenses in agriculture. The minister of finance also mentioned that bills were in preparation for changes in various government-run service and research foundations, so that the operation of these foundations could be made more independent.

Prime Minister Remains Confident

36260016 Reykjavik MORGUNBLADID in Icelandic
6 Aug 88 p 56

[Text] Thorsteinn Pálsson, prime minister and chairman of the Independence Party, says that the next budget will be drawn up with the definite goal of no deficits. The main issue will be to achieve equilibrium in the budget by cutting back government expenditures, instead of increasing government income. The forms that the budget and the loan budget will take will be under discussion at the meeting of the Independence Party [MP's] next Thursday.

"We think that it is very important to have the budget balanced without deficits. Under current conditions, this is very important to our economy," said Pálsson. "The situation now is that we are wrestling with trade deficits and a high rate of interest. And so it is important to reach equilibrium in our economy, so that the national treasury will be run on an even keel.

"It is not far from the truth to say that the problems of the national treasury during the past year have been income problems. But now it would be more accurate to designate them as expenditure problems. Plans are made to increase our actual income, and then the government will have to exercise thriftiness as far as expenditures go—if we are to make both ends meet," the prime minister said.

Pálsson said that the agreements which were reached yesterday between the minister of finance and the banks and stock companies would solve the problems of domestic loans to the government this year. "These agreements are very important when it comes to general monetary policy in Iceland; they are a milestone in the relations between the ministry of finance and the monetary institutions. With these agreements, the minister of finance and the banks have set us on new paths, paths leading to improvement," Pálsson said.

Large Increase in Purchasing Power Threatens Inflation Rise

36260015c Reykjavik MORGUNBLADID in Icelandic
11 Aug 88 pp B 6-7

[Article by Sigurdur B. Stefansson, chairman of the Board of VIB (Stock Market Industrial Bank, Inc.): "Sparse Population in a Large Country Is Costly: Inflation, Lowered Exchange Rate, Investments, and Accumulated Loans Without Production Offer Only Temporary Relief"]

[Text] There are only some 245,000 people living in Iceland. Denmark has 119 inhabitants per square kilometer; Great Britain, 231; West Germany, 248; and in Luxembourg—to which we sometimes compare Iceland, since there are only 370,000 people living there—there are 142 inhabitants per square kilometer. Iceland has only 2.4 inhabitants per square kilometer. With modern transportation and financial technology, Iceland can be seen technically as a participant in the same market as the big-league nations. However, it is not really a participant—not from a geographical or economic standpoint—and Icelandic corporations will have to compete in that market. With the fast technological growth that has occurred in the densely populated high-tech nations with which we do most of our business, the Icelandic working population has been left in the dust. Sparse population in a large country does not make changes in work situations easy. In remote places far out in the countryside, a great portion of salaried work is done by self-employed persons. This makes it hard for people to find new work if their business fails. Let us imagine for a moment that all of our fisheries and all of our agriculture were located in the Reykjavik area—or in Hornarfjörður or in Akureyri. If that were so, the cooperation between businesses would be easier than it is now, and the activities of the working people and training could pay for transferring the work force around among the various types of jobs.

These are the conditions prevalent in our neighbor nations in Europe, and we have to compete with their businesses, both in export and on a competitive basis. Increased production, technological developments, automation, a free financial market and new information technology have demanded the merging of businesses and the transferring of workers from their old production jobs to new work in our information society.

Nearly 50-Percent Rise in Purchasing Power in 3 Years

We will have to keep these facts in mind in the discussions of the national economy this autumn. In the last few years, the purchasing power of salaries, the actual exchange rate of the krona, and actual interest have undergone major mutations. All of these figures are percentage values, and just a few percentage points higher or lower does have quite an effect on our economy. Here is a very short overview of the changes in these values over the past few years.

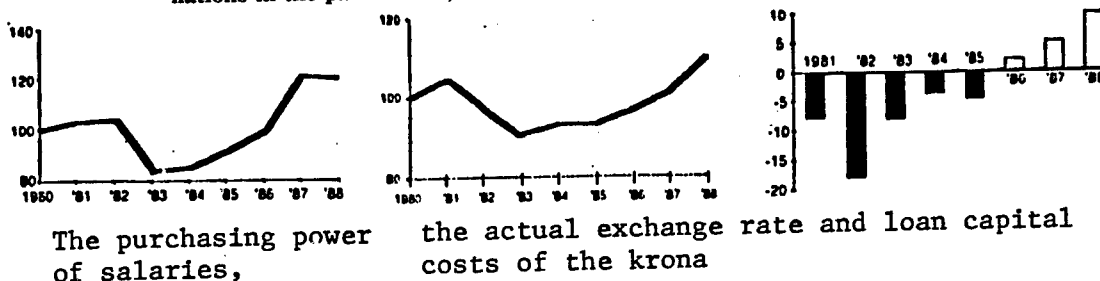
The purchasing power of income after taxes has risen some 47 percent from 1985-87, after it was adjusted according to population increase. On top of that, the purchasing power of salaries has risen some 21 percent from 1986 to 1987. That is a larger increase than we have ever had in 1 year here in Iceland. Of course, we need to remember that purchasing power was low, percentage-wise, in 1984 (see chart), after having gone down substantially in 1983 and 1984. The fact that there was a deficit in our foreign trade every year from 1980 to 1986 (noninclusive) (there was a surplus then, taking up 0.3 percent of the gross national product) does indicate, however, that the nation has consumed beyond its income, and accumulated more foreign loans throughout all these years. Too high purchasing power, on the average, has its part in the accumulated loans—although few people would admit that their own salary is too high.

The exchange policies of the governments during the years 1983-88 were intended to cause the value of foreign currency to rise much more slowly than general

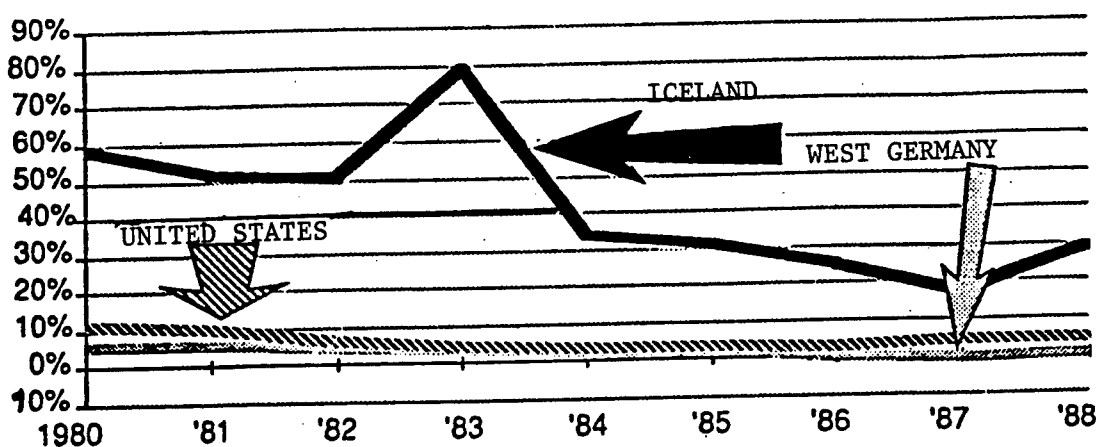
price levels. Imports have gone down in value, percentage-wise, and the income increase in exporting professions has been lower than the rise in salaries and other domestic payments. The effects of the rising exchange rate of the krona have been that income has transferred itself from the export professions to the salaried workers. The companies are getting fewer kronur for the funds which they accumulate from foreign sales, and the purchasing power of salaries increases, because the imported goods become cheaper. It is anticipated that the actual exchange rate of the krona will be 23 percent higher in 1988 than it was in 1983. Last year the actual exchange rate was 89, compared with 100 in 1980; this year it could go up to 110. As examples of the changes in the actual exchange rate of individual foreign coinages, it may be mentioned that the pound sterling ought to have cost 125 kronur by now, if it had risen along with the loan level index from 1982.

Capital costs have also gone up during the years 1984-87. Changes in this figure, though, are more difficult to

There have been major developments in the fields of economics and employment in many European nations in the past decade, but the Icelanders have been left in the dust....



The purchasing power of salaries, the actual exchange rate and loan capital costs of the krona have risen considerably in the past few years, and inflation in Iceland is many times higher than in the nations we do business with.



In the last 3 to 4 years the purchasing power of salaries taken in has increased to nearly 50 percent after taxes, the actual exchange rate of the krona has risen some 10-15 percent, and the loan capital costs of businesses has risen some 15-20 actual interest points. These three things never occurred simultaneously before. High purchasing power and high actual exchange rates have often gone down in the past when the exchange rate went down and inflation went up. Since all loans to businesses are now either exchange-rate guaranteed or value guaranteed, the lowered rate of exchange plus inflation have caused loan costs to apply even more pressure to businesses that have taken out loans, which increases their operating deficits. This condition should come as a surprise to no one; but the path toward improving it will be neither easy nor short.

measure than changes in purchasing power or in actual exchange rate, since there is no single figure to show the average growth of inflation in this country. The rise in interest has occurred for three reasons. Loans have changed from being non-value-guaranteed to being either completely value-guaranteed compared with the loan level index or a fixed exchange rate. In addition, interest has risen in actuality. As an example, we can mention that the actual interest on savings was a negative 18 percent in 1982, whereas now it is estimated to be on the average of 3-5 percent on the positive side. Thirdly, businesses have generated capital for themselves by the sales of promissory notes on the stock market; by production opportunities from dealing with capital investment firms; and both of these things have led to higher capital costs than have been customary these past few years. Very loosely estimated, the actual interest of companies could have risen some 15-20 percent over a very few years. In comparison, it might be mentioned that changes in actual interest of 2-5 percent in our neighboring nations is quite significant, and is likely to have much influence on the workforce.

High Purchasing Power, High Actual Exchange Rate, and High Loan Capital Costs

These three conditions, involving a scant 50 percent of the rise in purchasing power over 3 years, a 10-15 percent rise in the actual exchange rate and 15-20 percent rise in actual interest, are the most prominent causes behind our nation's economic difficulties at this moment. The two first mentioned improved the lot of all salaried workers. High actual interest improves only the lot of those households which have money in savings, but worsens the lot of those who owe money. All three conditions contribute to cutbacks in business income. Businesses have to pay high salaries and receive less income for export, because of the exchange rate of the krona being indexed so high. Most businesses have loans taken out, although in varying amounts, and so the rising costs of loans have largely fallen on their shoulders. Some 75 percent of the savings held by banks and savings and loan institutions are owned by households, which get high interest income from their savings; some 25 percent are owned by businesses. On the other hand, some 75 percent of the loans issued are to businesses—which then have to pay high interest—and 25 percent of loans are to households. It should be a surprise to no one that the resources of businesses are slim right now. Upcoming changes on the economic front should aim at improving the lot of businesses; this might be at the cost of lower living standards for households.

Belt-tightening in economic matters because of higher salaries and the high exchange rate of the krona and a 30-40 percent rate of inflation are not unknown in Iceland. But they have not occurred, up to now, since the actual interest came into the black. Now practically all loans have become value-guaranteed or exchange rate guaranteed. A lowered exchange rate has the effect that businesses in debt owe continually more in kronur.

Many of them cannot tolerate any more debts, even though foreign intake of subtracted foreign payments goes up very little when the exchange rate goes up.

In 1983, the last time actions were taken against a lowered exchange rate, because of the very poor profits of export businesses, the actual interest on domestic loans was a negative 10-15 percent. Although the foreign loans taken out by businesses increased with the lowered exchange rate, they benefitted by direct transfer of funds from savings-account holders to borrowers because of the negative interest. When action was taken toward similar legislation on behalf of the export businesses in 1978 and 1979, the actual interest rates in the banking system were minus some 18 to 20 percent. In 1974 and 1975, when we had to adjust the profits of the fisheries firms, actual interest was negative to the tune of 30 percent. A significant portion of this transferring of funds from the holders of savings accounts to the professions was in violation of the old product loan system and the obligation for temperance in the banks and savings institutions relative to the Central Bank. After more far-reaching price guarantees and exchange rate guarantees, this trend is no longer present. Holders of savings accounts can no longer lose money in this way. Now when it comes time to adjust the finances of the fisheries firms, because of high actual exchange rate and high salaries, by means of lowering the exchange rate of the krona, it will not be possible to transfer money around, in this irretrievable back-door fashion, to benefit businesses.

Connections With the Larger Currency System

For some years now we Icelanders have been landing in the abovementioned messes in economic matters. In good years, all the increases in income are constantly consumed; often more so when there is a deficit in our foreign trade, no less than in a good year when the profits are lower. This is why we need to cut back our standards of consumption, and transfer funds to the export businesses, when decreased incomes are present. There are two roads out of our current problems. The old road brings with it a lowered exchange rate, increased inflation and lowered purchasing power, and transfer of funds by those means, to the professions. Since price guarantees and exchange rate guarantees prohibit the transfer of funds from savings-account holders to borrowers, in cases of negative interest, it is that much more difficult now to legislate business profits by lowering the exchange rate than it has been before. A lowered exchange rate now could improve the lot of businesses, to a certain degree; but it generally causes increased inflation.

The second road involves the use of a new economic system, and its connection with the larger currency picture. In this case there would not be a special Icelandic monetary system in which it is possible to lower the exchange rate in order to improve the lot of export

businesses, or to multiply kronur to solve standard-of-living negotiations. Our inflation would be the same as in the nations with which our monetary system would be connected. Interest would not be intra-bank interest (which some say would be available for businesses, if they were granted full freedom to take out foreign loans), but interest with a bonus, which small and not well known businesses without much of a foreign credit rating would have to pay. Our income would be actual income, in hard cash, which could then be used directly in business anywhere in Iceland. This is what is really involved when people talk about connecting the krona with foreign currencies, and nothing other than this. Our businesses would not be protected in any way against competition with foreigners. Fluctuations because of uneven years would likely be smaller than they now are, though, because our current monetary system magnifies fluctuations rather than diminishing them. There is no doubt that the national profit would be greater after this development, because inflation destroys incentives to increased production, and diminishes the power of businesses to compete on foreign markets.

Inflation, Lowered Exchange Rate, Accumulated Debts, and High Foreign Interest Payments

It ought to be considered unlikely that any fundamental changes will be made in our national economy this autumn. Even though an increasingly large portion of the Icelandic population is of the opinion that it would be best for the nation if we align ourselves with the market system of the EEC, we still have a way to go before that portion is big enough to make a difference. Most of us are still counting on defending our national economy from fluctuations in the fish catch and the value of our produce by maintaining our own currency system and our own inflation.

Sparse population in a large country means that the production increase which is necessary for competition with foreign firms on the home front cannot be achieved quickly. We are living now with 30-35 percent inflation and must therefore increase the value of foreign currency some 20-25 percent; while the inflation in the nations we trade with is only 5 percent or so. Because loan capital is for the most part value-guaranteed or exchange-rate guaranteed, we will have to generate special funds for debt alterations in those businesses that are worst off. Most of these businesses are out in the country, where relief is hard to come by if the business fails. They need to maintain that money that came to them previously, irretrievably, under negative interest conditions, under the old production loan system, for example.

Our neighbor nations have long been on the developmental level of production and industrial companies; some 60-75 percent of their workforce now work in service professions. Soon they will reach a new level, where knowledge and information are the most important branches of professional life. In today's world, development is proceeding faster than ever before, and

uncertainty is by no means less of a factor now than it has been before. It is difficult for a tiny nation with a diffuse population to try to achieve the same standards of living as the technologically powerful, densely populated nations, under these conditions. The longer we Icelanders "protect ourselves" by our own actions (inflation, lowered exchange rates, unprofitable investments, accumulated debts, and high interest payments abroad), the farther down the ladder we will be in this competition.

9584

TURKEY

Banks Rated by Volume, Profits

*35540171c Istanbul GUNAYDIN in Turkish
11 Jul 88 p 4*

[Text] Ankara—The Ziraat [Agriculture] Bank, which is ranked as Turkey's largest bank in terms of assets, volume of deposits, and outstanding loans, is not in the top 10 in terms of total profitability.

Turkey's top 10 banks ranked in terms of their assets are: Ziraat Bank (8.4 trillion Turkish lira), Is Bank (5.9 trillion Turkish lira), Akbank (3.1 trillion Turkish lira), Yapi Kredi Bank (3 trillion Turkish lira), Emlak Kredi Bank (2.65 trillion Turkish lira), Halk Bank (1.84 trillion Turkish lira), Vakiflar Bank (1.57 trillion Turkish lira), Pamukbank (1.28 trillion Turkish lira), Ticaret Bank (1.19 trillion Turkish lira), and Etibank (1.12 trillion Turkish lira).

Turkey's top 10 banks ranked in terms of overall profits in 1987 are: Akbank (167 billion Turkish lira), Vakiflar Bank (81 billion Turkish lira), Etibank (78 billion Turkish lira), Emlak Kredi Bank (65 billion Turkish lira), Is Bank (62 billion Turkish lira), Yapi Kredi Bank (61 billion Turkish lira), Ticaret Bank (53 billion Turkish lira), Halk Bank (50 billion Turkish lira), Iller Bank (30 billion Turkish lira), and Garanti Bank (28 billion Turkish lira).

9588

Treasury Takes Steps To Cut Domestic Debt Interest Rates

*35540171a Istanbul DUNYA in Turkish
13 Jul 88 pp 1, 10*

[Text] Ankara—The Treasury has begun to implement a new method in its domestic borrowing contracts since June as part of its efforts to solve the problem of borrowing at high interest rates. The Treasury has begun to intervene in the contract bid evaluation process in order to cut interest rates set by contracts to market levels as a first step.

According to the new system, only bids which offer interest rates below the average interest rate of previous contracts are considered in competitions for government contracts. Banks which bid high interest rates are not included in the competition.

The Treasury, which has also been using long-term borrowing as a means of cutting its interest burden, has begun to issue and sell bonds with 9-month maturity terms. The principal goal of this implementation is reportedly the issuance of "adjustable-interest long-term bonds." Work on the issuance of "adjustable-interest long-term bonds," whose maturity terms will be as long as 5 years and whose interest rates will be set every 6 months according to market conditions, is in its final stages.

In a statement to DUNYA, Treasury officials said that thanks to the new system interest rates on debt have declined and that they will gradually sink to market levels. Stating that the Treasury plans to keep the average interest rate on borrowing at about 60 percent, the officials said the following regarding the banks' reaction to this system:

"The level of participation in contract competitions is not bad. We include as many banks and finance organizations as we wish in these competitions. We reject bids with very high interest rates. In reality, we and the banks have a mutual need for each other. We are trying to establish mutual harmony and to develop new financial instruments. We will issue new instruments that the market will accept. Since the beginning of this year, we have replaced 3-month and 6-month Treasury bonds with 9-month bonds. We recalled these after 9 months. The short-term bonds were selling better. But we observed that there is also a good demand for 9-month bonds. Now we are trying to raise the maturity term of ordinary domestic borrowing bonds to 3 years."

Stating that the maturity terms of the new instruments could be even longer, the officials said that in the coming days decisions will be made about the issuance of new instruments depending on market conditions and trends in domestic borrowing since the beginning of this year.

Meanwhile, the Treasury continues to seek new ways of sparing itself from the burden of short-term high-interest borrowing to pay for public expenditures. It has been learned that the work on some of these methods is in its final stages.

The purpose of this work is to help the Treasury extricate itself from the vicious cycle of borrowing at high rates in order to repay its short-term debts. Accordingly, the Treasury will issue a new bond with a maturity term of 5 years and an interest rate that will be adjusted every 6 months in accordance with market conditions. The interest rate on these bonds will be indexed to the average interest rate bid in contracts awarded in the previous 6-month period. While the normal bidding

process on government borrowing contracts will remain, longer-term instruments, such as 5-year bonds, will also be issued. Treasury officials indicated that the problem may be solved by this method and that the work on the sale of long-term adjustable-interest bonds will be completed in the coming days.

9588

Distribution of Investment Funds for Oil, Gas
35540173b Istanbul DUNYA (Supplement)
in Turkish 14 Jul 88 p 2

[Text] In the government's investment budget for 1988, 434.4 billion Turkish lira was allocated for petroleum and natural gas projects. Of this amount, earmarked for 118 projects, 185.8 billion Turkish lira will be spent by the Turkish Petroleum Corporation [TPAO], and 174.3 billion Turkish lira by the Pipe Lines and Petroleum Transport Corporation [BOTAS].

Five state-owned companies, TPAO, the Turkish Oil Refineries Corporation [TUPRAS], the Petroleum Office, BOTAS, and the Railways, Harbors and Airfields Construction Corporation [DLH], will spend 434.432 billion Turkish lira in 1988 on 188 [as published] projects with a total value of 2.389 trillion Turkish lira. Of this amount earmarked in the 1988 investment budget, TPAO will spend 185.8 billion Turkish lira, BOTAS 174.258 billion Turkish lira, TUPRAS 55.268 billion Turkish lira, the Petroleum Office 10.1 billion Turkish lira and the DLH 9.006 billion Turkish lira.

The 21 projects run by TPAO—which included new investment projects worth 168 billion Turkish lira in its 1988 investment program—have an estimated total investment cost of 234.8 billion Turkish lira. TUPRAS has 40 projects with total investment cost of 1,064 billion Turkish lira, and BOTAS has 19 projects with a total investment cost of 1,032 billion Turkish lira in their 1988 investment programs. As of the end of 1987, TUPRAS had spent 785.2 billion Turkish lira and BOTAS had spent 539.0 billion Turkish lira on these projects.

The major investment projects in the said corporations' 1988 investment programs are as follows:

TPAO To Drill 65 Wells

TPAO plans to complete 11 projects worth 168.2 billion Turkish lira in 1988. As part of these investments, TPAO will drill 65 wells to explore for oil. TPAO will spend 69.7 billion Turkish lira to drill 148,950 meters of test wells by the end of 1988. Of the 65 wells drilled, 21 will be for the purpose of sounding work, and 41 will be for production.

In its presounding exploration work, TPAO will spend 51.4 billion Turkish lira.

In addition, TPAO will invest 14.2 billion Turkish lira to increase production at 20 wells in the Siirt-Batman region to 4,280 barrels per day. An additional 21.5 billion Turkish lira has been appropriated for the purchase of machinery and equipment to be used in exploration, sounding and production operations.

Other TPAO projects that will be completed by the end of 1988 are: the sounding site settlement project in Nigde-Aksaray, the construction of the general headquarters building in Ankara, the renovation of construction machinery used for oil exploration and production activities in Kırklareli, maintenance and repair work for the exploration group in Ankara, raising the production capacity of the Siirt-Batman refinery to 6,000 metric tons a day, and increasing oil production at the Garzan field. TPAO will spend 16.4 billion Turkish lira for these projects.

Refinery Set for Completion

TUPRAS will complete by the end of 1988 the Central Anatolia Refinery, which was started in 1976 and which will have a capacity of 5 million metric tons a year, and the expansion of the Izmir Refinery, which was started in 1978.

TUPRAS' 1988 investment program envisages the spending of 1.9 billion Turkish lira on the Central Anatolia Refinery project, which will have a total cost of 566.6 billion Turkish lira, and 4.0 billion Turkish lira on the project to expand the Izmir Refinery, which will run a final cost of 192 billion Turkish lira.

Besides these two projects, TUPRAS will complete 25 projects in 1988. An additional 15 projects will be completed between 1989 and 1991.

The total investment cost of the 25 projects TUPRAS will complete in 1988 is 798.5 billion Turkish lira. The total spending envisaged for these projects in 1988 is 17.8 billion Turkish lira.

Seven of the 15 projects slated for completion after 1988 are associated with the Central Anatolia Refinery project. These projects, which have been included in the company's 1988 investment program, consist of various facilities associated with the Central Anatolia Refinery.

TUPRAS has appropriated 37.4 billion Turkish lira in 1988 for projects slated for completion after 1988, out of a total 1988 spending appropriation of 55.3 billion Turkish lira.

Petroleum Office To Spend 10.1 Billion

The Petroleum Office, whose chief responsibility is to provide oil distribution services, has been appropriated 10.1 billion Turkish lira for its 1988 investment program. In 1988 the Petroleum Office will complete 21 of the 35 projects it has under way.

BOTAS, which is running 19 projects with a total investment cost of 1,031 billion Turkish lira will spend 174.2 billion Turkish lira in 1988. As a result of these expenditures, the second Iraq-Turkey oil pipeline, one of BOTAS's two largest projects, will be completed by the end of 1988. The other large project, the USSR-Turkey natural gas pipeline, will not be completed until 1989.

Two of the 19 projects in BOTAS' 1988 investment program are large. Of these, the second Iraq-Turkey oil pipeline was begun in 1985. This project, which has a total investment cost of 30.64 billion Turkish lira [as published] and a total foreign currency input of 273.6 billion Turkish lira, will raise the capacity of the existing pipeline from 1 million to 1.5 million barrels a day. BOTAS will spend 40.6 billion Turkish lira on the project in 1988.

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Minister Tells Status of USSR Natural-Gas Link *35540173a Istanbul DUNYA (Supplement) in Turkish 10 Jun 88 p 1*

[Interview with Minister of State Kazim Oksay; date and place not given]

[Excerpts] Minister of State Kazim Oksay disclosed that the natural gas pipeline grid will be expanded across the country and that natural gas will be available in Ankara and Istanbul in 1988 and in Izmit, Bursa and Eskişehir by 1990. Stating that Izmir, Kayseri, Kutahya, Konya, Balıkesir, Manisa, Sakarya and Bolu will also receive natural gas eventually, Oksay said that talks are continuing with the Soviet Union and Iran over supplying the eastern Anatolia region with natural gas.

In a statement to DUNYA, Minister Oksay also discussed oil exploration efforts in and out of Turkey and said that currently Shell, Esso, Arco, Salen and Chevron are exploring for oil in Turkey and that the Turkish Petroleum Corporation [TPAO] has signed partnership agreements with Australia, Pakistan and Indonesia. He added that TPAO will drill two wells in Australia with an investment of \$18 million.

Kazim Oksay answered DUNYA's questions as follows:

DUNYA: Why was the need felt to buy natural gas from the Soviet Union?

Oksay: I must first state that in recent years natural gas has begun to be used extensively around the world and that it is a modern fuel of growing popularity because of its clean-burning properties and ease of use. The global production of natural gas in 1945 stood at 120 billion cubic meters. By 1984, it constituted 15 percent of the energy used by the European members of the OECD. Nearly 10 percent of the electricity production of OECD nations is generated by natural gas-fired power plants. The utilization of such an extensively-used clean source

of energy in our country has been one of the principal elements of our government's energy policy. The Soviet Union, which is a large producer of natural gas and the principal supplier of that fuel to Europe, was the first source of supply we contemplated. The purchase of natural gas, which began with an agreement signed by the governments of Turkey and the Soviet Union on 18 September 1984, not only makes possible the extensive use of this important source of energy in our country, but has also helped to enhance our country's exports by expanding the trade volume between the two countries and by allowing us to sell substantial amounts of goods in exchange for the natural gas we purchased.

DUNYA: Do you have any contingency plans for alternate suppliers?

Oksay: Like other natural gas importers around the world we naturally have alternate suppliers. To that end, we have begun talks with other large natural gas producers such as Algeria, Qatar, Iran and Libya. We have already signed an agreement to purchase liquefied natural gas [LNG] from Algeria. According to that agreement, beginning in 1992, 2 billion cubic meters of LNG will be imported from that country each year. The LNG will be stored in facilities to be built in the Marmara Eregli and will be pumped into the pipeline grid that is being built across Turkey. As I stated before, the Pipe Lines and Petroleum Transport Corporation (BOTAS) is currently conducting talks with Qatar, Iran and Libya with regard to the purchase of natural gas. Work is also under way to develop our own resources.

DUNYA: How will the imported natural gas be consumed?

Oksay: It is planned to buy 2 billion cubic meters of natural gas from the Soviet Union in 1988. This amount will grow to 6 billion cubic meters in 1993. The breakdown of consumption among the various sectors will be as follows: 43 percent for electricity generation, 12 percent for fertilizer production, 12 percent for industrial use and 33 percent for household and commercial use.

DUNYA: What is the status of work on domestic exploration and production of natural gas?

Oksay: TPAO, our national company, is doing its best on this issue with the experience and skilled manpower at its disposal. TPAO plans to produce 303.9 million cubic meters of natural gas in 1988 in accordance with demand. TPAO also has plans to drill 149,000 meters of test wells during the same year to assess our nation's hydrocarbon fuel potential and to utilize it most effectively.

DUNYA: Statistical figures indicate that our production has declined in recent years. Why is that?

Oksay: The Thrace region has the largest proven natural gas reserves in our country. We have proven reserves of 15 billion cubic meters of natural gas in that region. In studies done in the past, TPAO determined that it is possible to produce 450 million cubic meters of natural gas a year in this region. However, we must use our reserves in the most economical manner and in accordance with our needs. Consequently, the plans that have been drawn up call for adjusting our production capacity in accordance with our annual needs. We draw on our reserves per our needs and seasonal conditions. Therefore, what is happening is not a decline in production but a plan to use resources on a per need basis.

DUNYA: Is the USSR-Ankara natural gas pipeline project proceeding on schedule?

Oksay: As you know, our government has a well-deserved reputation with regard to the realization of such projects. Contrary to the practices of previous years, we have completed projects on schedule or sometimes ahead of schedule to make them more economical. This was the case in the construction of the second Iraq-Turkey oil pipeline, the building of the Fatih Sultan Mehmet Bridge—which you observed closely—and in many other projects which I can enumerate. The same is true for the natural gas pipeline that will take natural gas to Ankara. The pipeline has already reached Ankara and the city will be supplied with natural gas this year as scheduled.

DUNYA: How will the pipeline grid be expanded across Turkey?

Oksay: Our government plans to build a general distribution network to cover all of Turkey similar to the electricity distribution grid. Studies conducted by BOTAS in cities show that the use of natural gas in Ankara, Istanbul, Izmit, Bursa and Eskisehir would be economically feasible, and work on the building of infrastructure facilities in these cities has begun. Homes in Ankara and Istanbul will be supplied with natural gas in 1988; Izmit, Bursa and Eskisehir will receive natural gas in 1990. In the next stage, natural gas will be supplied to the citizens of Izmir, Kayseri, Kutahya, Konya, Balikesir, Manisa, Sakarya and Bolu.

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'Turkey Fund' Readies for Launch on Stock Markets

35540171b Istanbul DUNYA in Turkish
14 Jul 88 pp 1, 10

[Report by Bayram Basaran]

[Text] Foreign and domestic corporations have begun work on the Turkey Fund. The work on the Fund is overseen by the Public Housing and Public Partnership Administration. The Fund is awaiting the completion of

work by the Undersecretariat of the Treasury and Foreign Trade on modifications in foreign exchange laws. It has been learned that Citibank, Chase Manhattan, Yapi ve Kredi Bank, Finansbank, Iktisat Bank, Turk Merchant Bank and Tekstilbank are working on this project as domestic banks and that seven foreign brokerage institutions have begun talks with domestic banks for joint operations.

Senior officials of domestic and foreign banks we interviewed on this issue stated that they have learned that the work on modifications in foreign exchange legislation by the Undersecretariat of the Treasury and Foreign Trade is in its final stages and that the Public Housing and Public Partnership Administration is working to determine what securities will be included in the Turkey Fund.

The same officials noted that the Public Housing and Public Partnership Administration may solicit proposals from the banks on this issue. They added that to prepare for that eventuality their companies have already held preliminary talks with foreign brokerage institutions and that talks are continuing to get the proposals ready.

Noting that the Yapi ve Kredi Bank initiated the first substantive work on the Turkey Fund, officials stated that the Yapi ve Kredi Bank has formed a new division called "International Stock Market Relations" for this purpose and has staffed it entirely with personnel with experience in foreign stock exchanges.

The officials stated that other banks are engaged in talks with Nikko Securities and Yamaichi, two of Japan's largest brokerage firms; Lazard Freres, Shearson-Lehman, Merrill Lynch, Bankers Trust Securities and Salomon Brothers of the United States; and Openheimer, a leading West German fund management company, adding that some banks have already selected their foreign partners. They said that the banks are not disclosing the names of the foreign institutions with which they are negotiating because nothing certain is known about the work of the Undersecretariat of the Treasury and Foreign Trade and the Public Housing and Public Partnership Administration.

Meanwhile, a senior official of a bank which has completed its internal organizational work told us that European and American investors have been holding large volumes of idle cash since the stock market crash of last October and that phasing in the Turkey Fund would be the best of way of attracting those funds to Turkey.

The same official indicated that developing European nations similar to Turkey were affected by the stock market crash of October 1987 and that Turkey was the only country that was not affected. He said:

"Because of the October market crash, a large portion of the institutional and individual savings were withdrawn from the U.S. and European markets. Everyone began to withdraw his money from the stock market and to keep it in liquid form as a precaution. They are now looking for new markets to invest those funds. In the past, European investors put their money in developing EEC countries such as Portugal and Spain. For example, Portugal attracted \$400 million in this way in 1987. Similarly, Spain attracted \$500 million in 1983, \$3.5 billion in 1985 and \$4.5 billion to \$5 billion in 1986. Now investors are slowly fleeing those countries and are looking for new investment areas. There is intense interest in Turkey. After tourism, this may become one of the largest sources of short-term foreign currency for Turkey."

Foreigners Interested

A senior administrator of another bank we interviewed on this issue said that his firm has so far held talks with three large groups and that these talks will be completed soon.

Noting that he sees no reason why the Turkey Fund would not attract investor interest, the official said:

"Foreign investors expressed intense interest in Turkey in 1987. Some investors bought Turkish securities worth \$15 million that year. This type of trading does not violate foreign exchange laws, but the transfer of profits abroad is creating major problems. As a result, foreign investors transferred their profits abroad by buying foreign currency on the free market. So far, mainly French, British, Italian, German, Swiss and Austrian investors have bought securities in Turkey."

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